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Pensions & Investment Age

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Pan Am may contribute JFK lease

By Joel Chernoff

NEW YORK — Trying to husband needed cash reserves, Pan Am Corp. last week proposed contributing to its pension fund a $200 million-plus lease on its passenger terminal at John F. Kennedy International Airport.

The contribution of the leasehold interest would strengthen the pension fund, which is underfunded by at least $385 million. The contribution would involve five of the company's 10 defined benefit plans for management and union employees. Benefit accruals in all of Pan Am's defined benefit plans were frozen as of Dec. 31, 1983.

The long-term lease on the Worldport facility is valued at more than $200 million, according to an independent appraisal conducted for the company, which is the parent of Pan American World Airways Inc. Roughly 1,000 Pan Am employees work at the 800,000-plus-square-foot terminal; the facility has gates for 16 long-range jets and eight commuter planes, plus two helicopter and six mobile plane mate docks.

"The company feels that a good, quality piece of property with assured income over many years is an appropriate asset for a pension plan, even though the immediate tenant is the plan sponsor," said Pamela Hanlon, Pan Am's system director-corporate communications.

But contribution of the leasehold interest is contingent upon approval by the Department of Labor and the Port Authority of New York and New Jersey, which owns the terminal.

In addition, Margaret Brennan, head of the Pan Am Joint Labor Council, an organization of four of the five unions representing Pan Am workers, threatened to file a grievance at the very least.

"I can't comment because it's so strange, bizarre and unusual," said Ms. Brennan, who also is president of the Independent Union of Flight Attendants, New York.

For the interim, Pan Am received last week a waiver of its $48 million pension contribution, which was due Sept. 15. As collateral, the company put up $75 million of stock in Pan Am World Services Inc., a subsidiary that primarily services commercial and military installations.

Regardless of the decisions by the Labor Department and Port Authority, Pan Am plans to free the interest in the service subsidiary, which has proved to be consistently profitable and accounted for 15% of the company's $3.039 billion in total operating revenue in 1986.

If approvals are granted, Pan Am will be relieved of making pension contributions for three or four years and the funding waiver will be unwound. If not, Pan Am will contribute enough cash to cover both its 1986 and 1987 plan contributions, again releasing the stock.

Pan Am declined to reveal the amount owed for 1987, but based on recent years, the total contribution would approach $100 million.

The lease, which expires in 1998, includes passenger facilities, rentals and all-important airline gates. Under terms of the

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Inside:

FALL 1987

PROPERTY

A Pensions & Investment Age Supplement on Real Estate

Japan cuts deals with U.S. help

Washington fund will finance piece of Cadillac buy-out

Ownership revealed

Tax-exempt investors hold $5 billion in 5 cities

PROPERTY: Japanese deals in U.S. real estate, who got stuck holding the bag in Houston and institutional ownership of the nation's downtowns are among the many stories in this 52-page supplement on institutional real estate finance and investment.

FUTURES & OPTIONS: Surplus insurance — a way to lock in the gains of overfunded pension plans — is getting a lot of lockers but few takers. *Pensions & Investment Age* examines the issue — Page 43.

CASH MANAGEMENT: Loan participation agreements, commercial loans sold in pieces by banks to compete in the short-term lending market, are catching the eye of ratings services — Page 31.

QUANTITATIVE MANAGEMENT: Sophisticated quantitative analytical tools have been developed to interpret the vast amounts of data available to pension executives, consultants and managers. A look at these forms of quantitative analysis — Page 17.

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PBGC moves toward reinstating LTV plans

By Nicky Robertshaw

WASHINGTON — The Pension Benefit Guaranty Corp. might take steps as early as this week to return to The LTV Corp. four terminated steel-unit pension plans, government sources told *Pensions & Investment Age*.

The agency is taking the unprecedented step of restoring the plans to the company, which dumped $2.3 billion in liabilities onto the PBGC, because Dallas-based LTV agreed to a follow-on plan — a plan that is started after a termination.

The PBGC sees this plan as evidence that, in contrast to its position last January, LTV can — and has demonstrated that it will — meet pension obligations.

A spokeswoman for the PBGC said no decision had been made, although restoring the plans is one of several options being considered.

The spokeswoman would not comment further.

Although it is unclear how the PBGC would proceed, the issue is certain to end up in court.

LTV officials already have vowed the company will sue immediately in an attempt to block the move, which the company believes to be unlawful.

"It's one thing to say on Friday that you're going to do it, but it's another thing to win the court case that starts on Friday afternoon," said an LTV source, who doesn't believe the PBGC threat will hold up in court.

PBGC officials had said in June the agency might restore the four plans to LTV if a contract between the company and the United Steelworkers of America giving participants supplemental benefits went into effect.

In July, the supplemental benefits became a reality.

As a result, the PBGC has been considering several options, including restoring the plans to LTV or reducing payouts to participants in the amount of the supplemental benefits in an "equivalent offset" arrangement. Restoration is seen as being better to legally defend than the equivalent offset arrangement.

The PBGC has the authority under Section 4047 of the Employee Retirement Income Security Act to restore a plan terminated on a distress basis to its pre-termination status, if it determines such an action would be appropriate.

In addition, Section 4047 was amended, under the Single Employer Pension Plan Amendment Act of 1986, to apply specifically to plans terminated involuntarily in a distress situation, according to the PBGC.

"I don't believe 4047 ever contemplated the restoration of a plan where the original finding was that the company could not afford to maintain the plan," the source at LTV said, pointing out it never has been done. "Nobody in their right mind believes that LTV can afford those four plans," he said.

He pointed out that by reinstating the plans, the PBGC would be in violation of the automatic stay under the federal Bankruptcy Code that forbids increasing liability except by filing a proof of claim, and is not in keeping with the federal court decree ordering the termination.

The first of LTV's plans was terminated involuntarily Sept. 30, 1986; three more were terminated in January 1987. The PBGC took the initiative in terminating the plans when it learned LTV could not meet its benefit obligations.

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Fiduciary rule clarified

By Nicky Robertshaw

WASHINGTON — Sponsors of defined contribution plans that allow participants control over their individual accounts may have to change their menu of investment options to avoid incurring fiduciary obligations, under a proposed Department of Labor regulation.

This long-awaited proposal clarifies section 404(c) of the Employee Retirement Income Security Act, which states that when a participant exercises control over assets in an individual account, neither the participant nor a person who otherwise would be the fiduciary — such as a pension ex-manager — can be held responsible, if, for example, the participant loses money as a result of an investment decision.

However, the burden is on the sponsor to prove the plan meets the qualifications for this relief, which includes showing the plan offers the "broad range" of investment options called for by the statute.

Attorneys familiar with the proposed regulation said fiduciaries have some responsibility to monitor the choices to meet the standard for 404(c) protection, but it's unclear just what would be expected of them. The attorneys said the rule is directed primarily at sponsors.

"It's likely that a lot of (sponsors) who thought their plans satisfied this rule are going to find that their options don't fit," said Seth H. Tievsky, a lawyer with Wyatt Co.'s Research and Information Center, Washington.

Mr. Tievsky pointed out sponsors will have to revise plans to either add options or replace cur-

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Rorer restructuring, adds 2 asset classes

By Trudy Ring

FORT WASHINGTON, Pa. — Rorer Group Inc. has restructured its $85 million pension fund, moving from balanced management and making its first allocations to real estate and international.

The moves demonstrate the pension committee's desire to control the asset mix and invest more aggressively, said Mark W. Sickles, director-compensation and benefits.

A new committee was appointed after Rorer, a maker of over-the-counter drugs such as Maalox and Ascriptin, acquired the Tarrytown, N.Y.-based prescription pharmaceutical business of Revlon Inc., New York, in January 1986.

Mr. Sickles, who had been director of international personnel at the Revlon Health Care Group, of which the prescription drug business was a unit, assumed the newly created compensation and benefits position at Rorer.

About $25 million in pension assets, which had been part of the Revlon master trust, were combined with the Rorer assets for investment purposes, Mr. Sickles said. About two-thirds of the combined fund were in a balanced account with Dreyfus Management Inc., New York, and one-third in growth-oriented equities with Thorndike, Doran, Paine & Lewis, Boston.

Mr. Sickles said he didn't know who managed the assets at Revlon, as he wasn't in the pension area there.

Reviewing this arrangement with Rorer's consultant — Butcher Consulting Group, Pittsburgh — committee members decided they wanted to get away from balanced management and to diversify asset classes. Butcher's study indicated diversification could produce better returns with less risk, Mr. Sickles said.

Rorer Group Inc., which manufacturers over-the-counter drugs such as Maalox Plus, is altering its pension fund asset mix to invest more aggressively, according to Mark W. Sickles, benefits director.

With the restructuring, Rorer will retain Thorndike in its equity assignment, change Dreyfus' assignment to fixed income alone and take on additional managers for value-oriented equities, real estate and international equities. The transfer of assets will be effective Oct. 1.

Newbold's Asset Management, Philadelphia, and Thorndike will split about $55 million in equities, Mr. Sickles said. Thorndike already had a little more than half that amount, and will retain that allocation, he said.

Newbold's has a value-oriented strategy; the equity portion of the balanced fund also had been value-oriented. Newbold's started its assignment with a Rorer stock contribution of about 125,000 shares, valued at $5.5 million.

Rorer has instructed Newbold's to sell the stock as soon as it can do so without harming performance, Mr. Sickles said. Rorer pension officials don't want the fund to hold company stock because they don't want fund performance tied to corporate performance, he said.

This was Rorer's first stock contribution to the pension fund, made to help its cash flow after the merger, Mr. Sickles said. He's not sure if the company will make more contributions. The company also made a cash contribution, less than $50,000, to one plan.

Dreyfus will manage about $17 million in fixed income.

J.P. Morgan Investment Management Inc., New York, will manage real estate, and Nomura Capital Management Inc., New York, will handle international

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Consultant questionnaires out

Questionnaires for *Pensions & Investment Age*'s annual directory of investment management consultants are in the mail. The deadline for the return of completed questionnaires is Oct. 12. Completed questionnaires must be received by Oct. 12 to be included in the directory.

Consulting firms that have not received a questionnaire and would like to be listed in the directory should call Carol Wiley, directory coordinator, at (312) 649-5486.

Funds putting excess cash in currency pool

By Marlene Givant

NEWARK, N.J. — Reflecting a desire to maximize returns on cash reserves, four tax-exempt funds recently invested in a high-interest global currency fund and a fifth started a separate account.

Managed by PCM International, the Prudential Trust Global Yield Fund has a total of $27 million from four clients, one of which, the nearly $1.2 billion pension fund of the Army and Air Force Exchange Service, Dallas, just committed $10 million to the fund.

Other clients are the pension funds of the World Bank, Washington; the Western Co. of North America, Houston; and National Automobile Dealers Association, McLean, Va., according to Barry Gillman, managing director of PCM.

The $3.2 billion Hawaii Employees Retirement System, Honolulu, one of the product's first clients, opened a $30 million global yield separate account last spring to earn high returns while parking its excess cash.

The combined cumulative return of the pooled vehicle was 20.5% in the 12 months ended July 31, substantially higher than the 5.76% unannualized returns on 90-day U.S. Treasury bills during the same period, according to the Payden & Rygel index of short maturity assets. The fund's performance includes the six-month return on the closed-end mutual fund, Global Yield Fund Inc., from which it was spun off in January.

"We were looking for something to diversify our cash asset class. Global yield seemed like a product we could use to add some value because it's investing in sound investments overseas," said Ken Weaver, assistant comptroller-insurance for the AAFES fund.

"We're hoping it'll add up to 400 basis points over comparable U.S. instruments. They have had excellent performance. The 1987 projected annual yield is about 13%," Mr. Weaver said.

Assets came from a reduction in a fixed-income mutual fund (called the Fixed Income Fund) managed by Dimensional Fund Advisors, Santa Monica, Calif.

AAFES also selected two small-cap managers, Nicholas-Applegate Capital Management, San Diego, Calif., and Westwood Management Corp., New York, to run $40 million each. Assets for these hires, additions to several existing accounts and May appointments of a domestic equity index fund

Continued on page 52

Interlake gets nod to terminate 6 plans

By Barry B. Burr

OAK BROOK, Ill. — The Interlake Corp. has received approval to terminate six pension plans, allowing the company to recapture nearly $100 million in surplus pension assets and use the proceeds to help finance an announced $50 million stock repurchase program.

The company also is preparing a request to repurchase an undisclosed number of additional shares beyond the announced program, a corporate spokesman said.

The terminations affect plans of discontinued operations, covering only retirees and former employees, a treasury executive said, adding the plans didn't covered active employees.

The executive, who asked not to be named, said the company wouldn't release any further information, making it unclear whether the action involved a spinoff-termination — separating the plans into active and inactive employees. He declined to identify the operations discontinued, or details on how the operations were discontinued, whether through sale or liquidation.

The terminated plans had total assets of $177.2 million and total discounted liabilities of $79.7 million, according to Interlake's filing with the Pension Benefit Guaranty Corp.

The terminations will greatly reduce Interlake's pension assets and liabilities.

As of Dec. 28, the company had total pension assets of $211 million and liabilities of $85 million. Interlake executives generally have been reticent about the reversion, although it is more than three times larger than the company's entire net income of $32 million reported last year.

The corporate spokesman de-

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The *P&I Age* monthly indexes track the changes in the Standard & Poor's 500, Frank Russell Co.'s Russell 3000 stock index, the Ryan Index of fixed-income securities, the Shearson Lehman Government/Corporate bond index and the Salomon Brothers Broad Investment Grade bond index.

P&I Age August indexes

	Latest mo.	Year to-date	Trailing 12 mos.
S&P 500	3.74	38.98	34.59
Russell 3000	4.04	29.40	35.31
Ryan Index	−0.85	−3.18	−3.00
Shearson Lehman Gov't./Corp.	−0.56	−1.21	0.54
Sal BIG	−.42	−2.29	−0.06

Source: Rogers, Casey and Barksdale Inc., and Frank Russell

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Workout pros busy despite boom

By Brad Rudin

Wall Street's workout specialists, thriving despite the economic boom, are concerned the next recession will sink some of the more fragile leveraged buy-outs and could bring a surge in failures among companies taken private in more ordinary buy-outs.

Because leveraged buy-outs often are financed through the sale of some of the companies' most valuable assets, the now-private firms could face problems when they have no "crown jewels" to sell as part of a workout or reorganization.

"In the next economic downturn, there will be a whole new category of companies called LBOs," said Ralph O. Hellmold, head of the financial restructuring and reorganization group at Prudential-Bache Securities Inc., New York.

The decline in energy prices, oversupply in the steel industry, unexpected costs at nuclear generating plants, international competition, bad luck and bad management all have contributed to the demand for workouts.

"It's scary right now — we're very busy given the cycle we're in," said James W. Harris, the head of the financial restructuring group at Shearson Lehman Brothers Inc., New York. "What would happen if we really had a recession?"

Even with the recovery chugging along, the number of business failures recorded by Dun & Bradstreet almost doubled in 1986 to 61,232 from 31,334 in 1983.

In a workout, distressed companies often use exchange offers, pledges of collateral, renegotiated supply contracts, pension plan terminations, asset sales and securities offerings, among other strategies.

These, in turn, will lead to operational improvements, to a restructured balance sheet and to a refocused business strategy as well.

An economic downturn could damage several LBOs, says Ralph Hellmold of Pru-Bache, left; Donald Dietz of First Boston points out there are plenty of overleveraged companies in troubled industries.

Workout specialists work for debtors in out-of-court and Chapter 11 reorganizations, as well as provide advice to creditor committees in reorganization plans that take place under bankruptcy court supervision.

"All you have to do is to read the papers," said Donald E. Dietz III, a senior member of the reorganization group at First Boston Corp., New York. "There are lots of companies with problems; they're overleveraged, they're in industries with problems."

The normal course of business generates demand for workout specialists, said Daniel G. Gruber, national director of the reorganization advisory services group at Touche Ross & Co., the Big Eight accounting firm in New York. "In every industry there's a company on the top and a company on the bottom. Very few industries are so good that the company on the bottom doesn't have a problem."

Business for workout units at investment banks, accounting firms

Continued on page 49

Tosco Corp., an oil refiner, has cut its size and increased profitability. Profiles of Tosco and two other companies that tapped workout groups are on Page 39.

Financial pressure on pension plan sponsors voting internally

Size of equity investment	Frequency of financial pressure: Sometimes	Rarely	Never	Don't know
$1-9 million	0.0%	15.4%	84.6%	0.0%
$10-24 million	0.0	0.0	100.0	0.0
$25-99 million	0.0	9.1	90.9	0.0
$100-499 million	0.0	31.8	63.6	4.6
$500 million or more	13.0	21.7	65.2	0.0
No response	0.0	0.0	100.0	0.0

Source: Employee Benefit Research Institute

The proxy pressure's on

Managers admit to more than fund execs

By Marcia Parker

WASHINGTON — Sixty-five percent of pension fund investment managers, but only 25% of corporate pension executives have felt pressure to direct their proxy votes in favor of corporate management, a comprehensive study has found.

Only 28% of investment managers reported pressure frequently, however, while 37% said they experienced pressure rarely and 34% said never.

The study seems to indicate pressure is not pervasive and that many on the receiving end have developed written policies to deal with it. But the Employee Benefit Research Institute, which sponsored the study in cooperation with two other groups, acknowledged how hard it is to determine the intensity of the pressure.

The study co-sponsors were the Association of Private Pension and Welfare Plans, Washington, and the Financial Executives Institute's Committee on the Investment of Employee Benefit Assets.

"Because the experience of financial pressure may be a sensitive topic for some plan sponsors, its occurrence may not be recorded as accurately as other survey information," the long-awaited EBRI study said.

"Some sponsors may be anxious to reveal any unwanted pressure, while others may try to hide its occurrence. Nevertheless, those who admit to being pressured also tend to have written policies to deal with that contingency."

Most pension fund executives, money managers, proxy solicitors

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Global bond use up 24.5%

By Marlene Givant

To diversify from domestic fixed income, U.S. tax-exempt funds committed at least $1.472 billion to international and global bond accounts in the first six months of 1987, a *Pensions & Investment Age* survey of eight industry leaders shows.

That's an increase of 24.5%; assets held in international and global bond accounts totaled $6 billion at year-end 1986, according to a spokesman at Salomon Brothers Inc., New York.

The spurt of interest in foreign fixed income might be greater than for any other asset class. "It's probably been one of the hottest areas we've seen come along in some time, in terms of new interest in an asset class," said S.A. "Sandy" Lincoln, managing director in the Deerfield, Ill., office of William M. Mercer-Meidinger-Hansen Inc.

While pension plans are investing in foreign bonds chiefly to diversify over the long term, many have chosen to invest now to benefit from an expected decline in the dollar against other currencies.

There is overall risk reduction despite currency risks because foreign markets diversify themselves, managers said.

Fixed-income markets also are 50% larger, in terms of money worldwide, than equity markets and are more liquid.

Some officials also are lured by enhanced returns.The Salomon Brothers World Bond index returned a compound annualized 18.9% in the five years ended June 30, while the Salomon Brothers Non-U.S. Bond index returned a compound annualized 20.4% for the same period. The Salomon Brothers U.S. Government Bond index returned a compound annualized 17.6% for the period.

The $1.5 billion ITT Corp. pension fund, for example, is moving to make international bonds fully 25% of fixed-income assets by year end, or roughly 4% to 5% of total plan assets, said Edwin J.

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Tax advantages spur offering of stock to GM plan

By Brad Rudin

NEW YORK — General Motors Corp.'s $1.04 billion stock contribution to its pension plan has drawn praise from analysts and refocused attention on the tax advantages created by contributions made for the 1986 tax year.

Because the company made extra contributions in previous years, it had no obligation for the 1986 plan year that ended this month, said W. Gordon Binns Jr., chief investment funds officer.

Of course, the retirement fund's performance during the bull market helped to reduce the company's contribution.

General Motors contributed $1.6 billion to the retirement fund in the 1985 plan year.

Tax planning, rather than pension fund obligations, shaped GM's decision to contribute 19.6 million preference shares to the plan, which has $33 billion in assets.

"The contribution, which took place Sept. 14, allows the corporation to generate significant incremental tax benefits in that the contribution is deductible for federal income tax purposes for the 1986 tax year," according to a company letter to investors.

General Motors will save $125 million for the 1986 tax year, while the annual dividend payments generated by the preference shares will amount to about $12 million, according to a company spokesman.

Contribution of the preference shares could satisfy contribution requirements in future years, said the letter to investors.

Stock and credit analysts praised GM's contribution because the move conserves corporate cash and reduces federal tax liability.

David Healy, an analyst at Drexel Burnham Lambert Inc., New York, put the annual preference share dividend at $15 million, $3 million more than the company's estimate, saying the dividend payments on income attributable to the 1⅔ par value common stock will dilute GM earnings about a nickel a share.

General Motors 1⅔ par value common stock earned $2.80 a share in the second quarter of 1987.

Terry R. Holmes, an assistant treasurer at GM, disputed the view that the stock contribution would reduce earnings attributable to the 1⅔ common stock, saying investment of the funds saved by the tax deduction would yield a return that would actually add 2 cents to earnings per share.

The stock contribution will not dilute earnings attributable to Class E and Class H common shares because "the Class E and Class H dividend bases used for the purposes of determining earnings per share and the per share amounts available for dividends will not be impacted," according to a statement issued by the company.

Dilution is a relatively minor factor given the benefits, Mr. Healy said. "I think it makes sense for tax reasons to make the contribution."

At Salomon Brothers Inc., New York, Jean-Claude Gruet said, "General Motors is a company that needs cash, and given that their earnings are under pressure, it's an extremely cheap source of cash."

Some of GM's need for cash stems from the company's decision in March to repurchase up to 20% of its 1⅔ par value common stock — about $5.6 billion at current prices — by 1990.

The company's net income dropped 14.2% to $1.9 billion on sales of $52.8 billion for the first half of 1987 from net income of $2.22 billion on revenue of $54.45 billion in the first half of last year.

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Opinion

Time for trial-by-leaks to end

THE CHINESE WATER TORTURE of Drexel Burnham Lambert and Michael Milken, head of Drexel's junk bond operations, has got to stop.

Drops of information, hinting at improprieties by the firm and Mr. Milken, have been allowed to leak to the press at regular intervals, apparently by federal investigators.

The stories sparked by the leaks give an impression of investigators finding intriguing leads that have made action against Drexel and Mr. Milken a foregone conclusion in the near future. But the near future never comes.

Indeed, 10 months after the names of Drexel Burnham and Mr. Milken were first mentioned as targets of investigations by the Securities and Exchange Commission and the Justice Department, federal officials still are rummaging through files searching for evidence of illegal behavior on the part of the investment banking firm and its junk-bond pioneer.

Perhaps the stories are part of a campaign to try to induce Drexel and Mr. Milken to make a deal with the prosecutors, whether they are guilty of criminal offenses or not. Certainly, the investigation and the continuing stories rehashing government suspicions must be hurting Drexel's and Mr. Milken's business operations, and must be costing both inordinate amounts in legal fees.

At times, both must be tempted to plead guilty to some minor infraction just to end the legal hassles.

While most stories absolve federal officials of responsibility for the leaks, most also quote "sources close to the investigation." And the stories serve federal purposes so well, the absolution is less than wholly credible.

At the very least, federal officials must know who is leaking information and are in a position to stop it, if they really want to.

If Drexel Burnham Lambert and Michael Milken have breached federal securities laws, they should be tried in court — not in the press. And they should be tried expeditiously.

If federal investigators, after 10 months of digging, have not found enough evidence to prosecute, perhaps there is no evidence.

Labor provisions offer safe harbor

THE LABOR DEPARTMENT has issued a long-overdue clarification of the fiduciary responsibility requirements of ERISA in plans where employees exercise control over investment of assets.

While some might have preferred increased reporting as a way to ensure policing such plans, the Labor Department provisions are not particularly onerous.

Employers may have to add more investment options for their employees to fulfill the requirements of the proposal.

However, employers that offer sufficient investment options for employees to choose from, and that can prove the plan meets the qualifications specified in the proposal, will have, in effect, a safe harbor from fiduciary liability.

The new proposal, in effect, encourages employers to offer employees a wide range of investment alternatives in defined contribution plans, such as profit-sharing plans and 401(k) plans.

In addition, employees must be given enough information to make an "informed" decision.

These are things that employers should have been doing in the past, and many were.

That the proposal will encourage other employers to do so is a positive development for defined contribution plans, their beneficiaries and even the employers.

Letters to the editor

PIPER data missed

To the Editor: In your second-quarter PIPER survey, the investment results of Manufacturers Life's Equity Fund A were not included.

As this fund has been one of the best-performing funds in the survey, your readers may wish to know the results: 10-year return, 23.7%; five-year return, 31.1%; and one-year return, 7.2%.

Manufacturers Life markets a number of pension fund investment vehicles and related services.

Eric Lea
Manufacturers Life Insurance
Toronto

Great-West Life info

To the Editor: As agreed, I am sending you a completed 1987 investment adviser questionnaire.

Great-West Life Assurance Co. is at 8505 E. Orchard Road, Englewood, Colo. 80111; (303) 889-3000.

Total assets managed as of Jan. 1 were $12.966 billion. The tax-exempt assets totaled $5.3 billion.

Of that tax-exempt total, pooled separate accounts made up $188 million; GICs, $843 million; pension-related annuities, $384 million; and other general account pension-related products, $3.885 billion.

It managed $1.043 billion for 485 401(k) and 457 savings plan clients; and $18 million in mortgages.

Its tax-exempt accounts are for corporate, educational endowment, government and jointly trusteed clients.

It has five portfolio managers and a research staff of 240.

It is an equity, fixed-income, balanced and real estate manager.

In equities, it offers passive management as well as an active, growth-stock approach.

Its fixed-income approach uses mortgages as the core holding, supplementing it with an aggressively managed bond portfolio.

In real estate, the firm manages both open- and closed-end pooled and separate real estate funds.

The asset mix of separate accounts Jan. 1 was 87% stocks, 3% cash and 10% mortgages.

It follows 120 stocks closely and 300, generally; more than half of the research is generated internally.

The parent company is Power Corp. of Canada.

Assets under management by the parent, subsidiaries and affiliates total $25.05 billion.

Clients include American Dental Association, Colorado National Bank, State of South Carolina and City of Seattle.

Marshall Smith, executive vice president-investments, is chief investment officer.

Graham R. McDonald, vice president-group pension, is client contact.

Thank you for your assistance in getting this matter resolved.

John T. Ferla
Assistant vice president-qualified pension plans
Great-West Life
Englewood, Colo.

Society Bank GICs

To the Editor: Fred Williams' article on active GIC specialists in the Aug. 24 issue was very interesting; however, he did not mention one of the largest and most experienced GIC managers.

Society National Bank's Trust Department has been actively using GICs as an investment vehicle since 1980.

Presently, we have more than $900 million under management. This includes a $215 million GIC common trust fund.

This is a unique fund that has tremendous appeal to 401(k) plan participants.

We also manage a GIC fund that is used by other banks for their clients. This fund totals $40 million and was started about a year ago.

We have analyzed a whole array of contracts and negotiated bullet, open-end and window placements.

We do credit analysis on many insurance companies and have 35 companies that meet our credit criteria now.

Donald Cruse Jr.
Senior vice president
Society Bank
Cleveland

IDS and GICs

To the Editor: The Aug. 24 article, "Active GIC Specialists Growing Despite Doubts," by Fred Williams was an interesting account of the current GIC investment environment.

In 1981, IDS Trust pioneered in the challenging area of active GIC management. Located in Minneapolis, we manage more than $400 million for over 150 fixed-income clients.

The IDS Trust Income Fund, a diversified pool of GICs and money market investments, was our initial GIC investment product.

The fund has grown to over $350 million while consistently achieving competitive yields.

Recognizing that some qualified plans have very specific and unique fixed-income needs, IDS Trust also provides individual GIC management. Our individually managed accounts are designed to meet clients' unique liquidity, yield and credit quality needs.

As a large GIC manager, it was disappointing to be excluded from your article.

We welcome the opportunity to talk with one of your writers and hope to be included in subsequent GIC articles.

Robert A. Rudell
IDS Trust
Minneapolis

Centerre data wrong

To the Editor: Somehow there was an error in communications regarding the asset value of the master custody assets (for the Sept. 7 master trust directory). The number should have been $2.753 billion, not the figure which was sent inadvertently.

In addition, there was an error in the figures sent on the increase in master custodial assets from last year, which should have been $700 million. This figure is made up of our new client and additions to existing master custodial client accounts.

Thank you for your assistance in this matter.

Greta Volk
Pension & Institutional Services
Centerre Trust Co.
St. Louis

Pensions & Investment Age

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GROUP PUBLISHER: Stephen D. Gilkenson

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FALL 1987

PROPERTY

A Pensions & Investment Age Supplement on Real Estate

Hawaiian landowner regroups

Fred Williamson, finance director of the Bishop Estate, is rebuilding the trust's real estate holdings following a court-ordered land sale — Page 6.

Japan cuts deals with U.S. help

Nissei Realty owns the Texas Commerce Bank Building, Dallas, a joint venture with Equitable Real Estate and Trammell Crow.

By Barry B. Burr

Japanese companies own more than $4.9 billion of U.S. equity real estate purchased through their still-infant relationships with American real estate companies, PROPERTY has learned.

Although the Japanese also invest in U.S. real estate on their own, the Japanese-U.S. relationships are the favored means for investors in Japan to buy U.S. property.

Such arrangements give Japanese investors access to U.S. real estate expertise, and open the door for American companies to new sources of foreign financing.

The relationships take a variety of forms, both formal and informal, such as outright purchases of U.S. real estate companies, contractual agreements or deal-to-deal transactions.

Some notable examples of the ties:

• Nomura Babcock & Brown Inc., a joint venture of Nomura Securities Co. Ltd., Tokyo, and Babcock & Brown Co., San Francisco, bought 50% of Eastdil Realty Inc., New York. Although the dealmaking is just beginning, the Eastdil-Nomura partnership is expected to invest $2 billion to $4 billion by the end of 1988, Roy March, Eastdil vice president, said during an Urban Land Institute Conference in May.

If Mr. March's predictions are accurate, Eastdil quickly would become the biggest U.S. dealmaker with Japan.

• Sumitomo Trust and Banking Co. Ltd., Tokyo, has a five-year contractual relationship with Richard Ellis Inc., to seek the New York-based real estate company's advice on U.S. property acquisitions. So far, they've done nine ventures, totaling $800 million.

• Equitable Real Estate Investment Management Inc., New York, a unit of Equitable Life Assurance Society of the United States, has engaged in a number of joint purchases of U.S. real estate with Japanese companies, for an amount approaching $1.5 billion. The Japanese companies include units of Nippon Life Insurance Co., Asahi Mutual Life Insurance Co. and Daiei Inc., a major consumer goods retailer, although it has no contractual ties to make further acquisitions.

• Balcor International Realty Investment Corp., a unit of Balcor Co., Skokie, Ill., recently formed a joint venture with three Japanese companies and a unit of American Express Bank to market U.S. real estate investments in the form of limited partnerships to investors in Japan.

The venture expects to place $200 million in Japanese investment in U.S. property by the end of this year and another $350 million to $500 million next year.

The relationships, in whatever form, are an indication of the growing presence of the Japanese in the U.S. real estate market.

Data gathered by PROPERTY from interviews with U.S. and Japanese companies found Japanese owned $5.7 billion to $6.2 billion in U.S. real estate investments, including about $1 billion in mortgage investments.

Other real estate experts give different estimates.

Kenneth Koplow, real estate consultant, Windsor Associates, Cambridge, Mass., estimates Japanese have invested $5 billion to $10 billion in equity and equity-oriented debt in U.S. real estate through such relationships.

"Virtually every time a Japanese institutional investor invests in real estate in the United States, it is using some sort of U.S. real estate adviser," Mr. Koplow said.

According to David Shulman, vice president at Salomon Brothers Inc., New York, Japanese held $5.5 billion in U.S. real estate for investment purposes at year-end 1986. His estimate is similar to data of the U.S. Department of Com-

Continued on page 46

Washington fund will finance piece of Cadillac buy-out

By Steve Hemmerick

The $10 billion Washington State Investment Board, Olympia, is putting up 80% of the money to finance the buy-out of Cadillac Fairview Corp. Ltd.'s non-retail properties in the United States, PROPERTY has learned.

The all-but-completed deal, the smaller of the two pieces in the acquisition of Canadian developer Cadillac Fairview, has inspired confidence in JMB Realty Corp.'s ability to acquire the remainder in a $1.5 billion transaction.

The smaller buy-out is being led by Copley Real Estate Advisors, Boston, one of Washington's real estate advisers, and Michael Prentiss, the Cadillac official who oversees the bulk of Cadillac's U.S. holdings.

"Our commitment, give or take, is going to be about $400 million, and we will be roughly 80% of the deal," confirmed John Hitchman, executive director of the Washington board. An unnamed investor is buying the rest.

"We are very enthusiastic about it, and think Copley has done a first-rate job on it in respect to valuing the properties," Mr. Hitchman said.

The assets in that part of the deal include offices, industrial properties and land proposed for long-term development properties, and the Washington board believes it got the properties on a volume and cash discount basis.

"For those properties where there is an element of risk present, we have priced those properties accordingly and have done extensive diligence, and we think that it is an excellent way to acquire a portfolio at a fair price. These opportunities don't come along very often, and we think the acquisition of the urban industrial properties

Continued on page 41

Ownership revealed

Tax-exempt investors hold $5 billion in 5 cities

By Chuck Paustian

Tax-exempt institutional investors own more than 35.7 million square feet — with an appraised market value of $5.09 billion — in the central business districts of the nation's five largest cities, a PROPERTY survey shows.

PROPERTY surveyed 396 pension funds and 186 real estate investment management firms to determine the degree of tax-exempt institutional ownership (as of March 31) of office, retail and industrial properties in the central business districts of the U.S. Census Bureau's five largest cities.

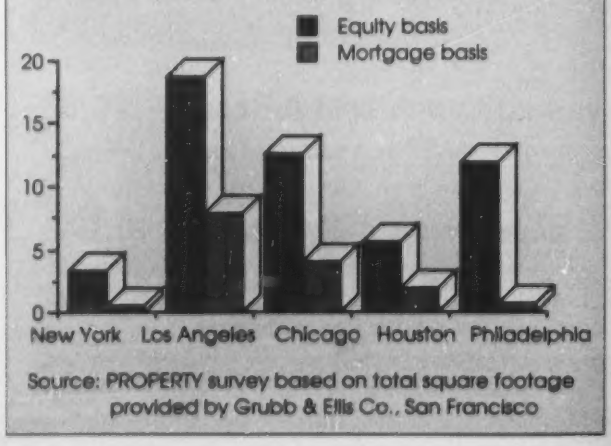
The survey showed tax-exempt institutions own, on an equity basis, 18.7% of the 15.2 million square feet of total office space in downtown Los Angeles; 12.7% of 60.3 million square feet in Chicago; 11.9% of 40 million square feet in Philadelphia; 5.6% of 28.9 million square feet in Houston; and 3.4% of 305 million square feet in New York.

On a debt basis, they hold mortgages on 7.9% of the office space in Los Angeles, 4.1% in Chicago, 1.9% in Houston, 0.7% in Philadelphia and 0.6% in New York.

According to PROPERTY data, the appraised market value of the downtown office holdings of the tax-exempt institutions surveyed totaled more than $4.88 billion.

Continued on page 48

Tax-exempt institutional ownership of central business district office properties



Source: PROPERTY survey based on total square footage provided by Grubb & Ellis Co., San Francisco

News & briefs

Thrifts sell Dallas office for $36 million to family

DALLAS — Maxine and Morris Stone of Cleveland's Stone family acquired One McKinney Plaza, a 250,000-square-foot office building in Dallas, from a group of thrifts led by Commerce Savings Association, San Antonio, for $36 million in equity and debt.

The thrifts, which acquired the building last year in lieu of foreclosure on its developer, Murray Development Co., Dallas, made an estimated $500,000 profit after paying expenses and outstanding notes, said Barry Davidson, vice president of Swearingen Co., Dallas, broker in the deal. The thrifts had provided Murray a $35 million permanent mortgage.

The Stones put up between $3.6 million and $7 million in equity and financed the remainder in a 10-year mortgage from Commerce Savings at a rate below 10%, said Mr. Davidson.

Utility is negotiating sale-leaseback

LOS ANGELES — Executives of Southern California Gas Co. are negotiating a sale-leaseback of the company's headquarters building and the sale of the underlying land and two adjacent parcels of land, reportedly to a subsidiary of Shuwa Corp., Tokyo. The Los Angeles properties are jointly owned by Southern California Gas and its parent company, Pacific Lighting Corp., which recently moved from the building to new offices in the Chase Plaza Building.

Zeckendorf's bid fails in New Jersey

NEW YORK — Manhattan's William Zeckendorf Jr. apparently has been beaten at his own game in a bid to develop a big piece of prime Hudson River waterfront. Murray M. Connell, a little-known real estate investor from Hoboken, N.J., reportedly offered a higher price than Mr. Zeckendorf for a massive mixed-use project on a 44-acre abandoned shipyard in the area known as New Jersey's Gold Coast.

Investor buys business for real estate

NEW YORK — The purchase of scandal-ridden Wedtech Corp.'s core business by Bronx real estate investor Abraham Sobel appears to be as much a real estate speculation play as it is an attempt to revive a failing manufacturing business. Mr. Sobel, through Five Oceans Realty Corp., is paying $4.2 million for Wedtech's headquarters in the Bronx, a site that includes a parking lot within walking distance of Yankee Stadium.

Joint venture pays $23.5 million cash

DALLAS — A joint venture between C. Itoh & Co., Tokyo, and C.H. Beazer PLC, London, paid $23.5 million cash for Chateau Plaza, a Dallas office building. A joint venture of the Dallas developers of the property, J.L. Williams & Co. and Randy Heady, sold the building. The headquarters of Gifford Hill & Co. Inc., a Texas construction materials manaufacturer owned by Beazer, will be relocated to Chateau Plaza from Irving, a Dallas suburb.

Inside

There's no place like home— P. 11

Developer Bud Hansen of Hansen Properties, PROPERTY's Up and Comer, won't venture from his suburban Philadelphia back yard for new projects, even though he's about to develop office buildings 10 times more costly than those he previously has built.

Waikiki Center sold for cash — P. 12

Japanese investor Ching Ming Wang paid $44.8 million, all cash, to an Integrated Resources limited partnership for Waikiki Trade Center, said to be the finest office property in that area.

Managers record 27% gain — P. 19

Even though real estate money managers profiled in PROPERTY's directory reported a healthy increase in assets under management, their tax-exempt clients seem more interested in changing how and where they invest that money.

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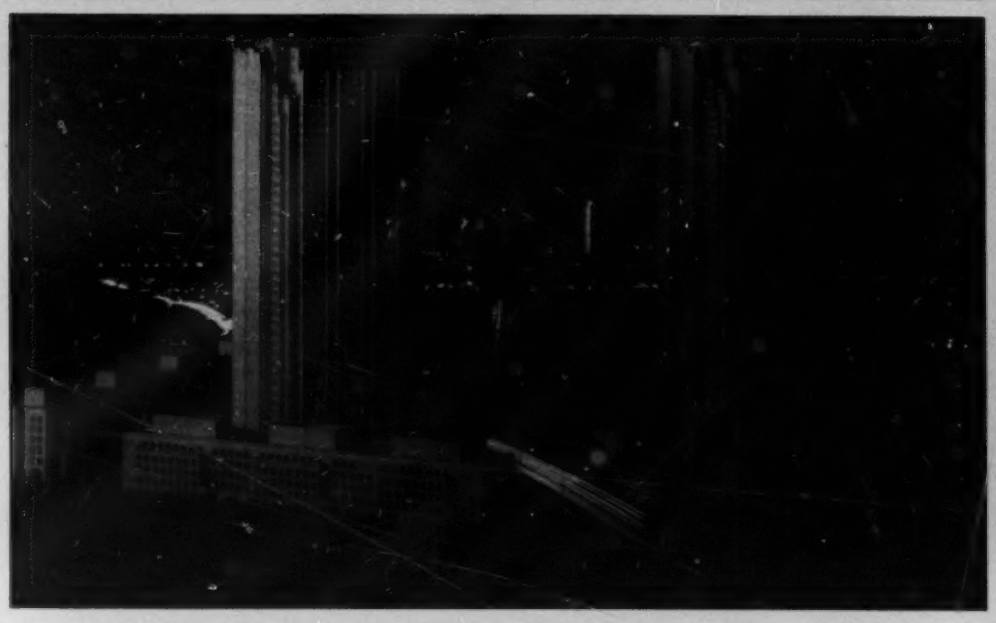

Southland Corp.'s Cityplace Center in Dallas was financed with $290 million in eight-year notes. The deal was put together by Goldman, Sachs and secured with a letter of credit provided by a syndicate of banks.

Innovative financings prevail in 1987's deals

By Steve Hemmerick

New pools of capital and unusual combinations of financing tools characterized the innovative real estate deals so far this year, with Japanese buyers continuing to play key roles.

Among the significant deals:

• The $287 million financing of 75 State St. in Boston's financial district, one of the year's major securitizations of a commercial mortgage. In the deal, a commercial paper issue was securitized by third-party credit enhancement with interest-rate swaps to fix the rate.

The deal allowed a limited partnership to proceed with the development of the 31-story office building. Equitable Real Estate Investment Management Inc., New York, and The Beacon Cos., Boston, are general partners, each with 40% ownership. A small group of other investors owns the remaining 20%.

The deal includes commercial paper backed by a letter of credit from Citibank and interest rate swaps and various interest rate hedging devices, said Robert J. Perriello, a senior vice president with Beacon.

All the elements had never before been combined to finance a to-be-built office building with no pre-leasing, he said. Traditionally, such ventures would be financed with construction and long-term loans.

Mr. Perriello said the project's total interest cost is about 9.5%, equivalent to a bullet loan rate on an already-constructed building.

He said the financing was ar-

Continued on page 45

Developers plan resorts

LAGUNA NIGUEL, Calif. — Two developers — Hemmeter Corp., Honolulu, and Irvine Co., Laguna Niguel, Calif., are working on deals that could turn Orange County's southern coastline into an international resort stop.

Hemmeter executives are quietly negotiating with officials of Stein-Brief Group for the development of an approximately $250 million, 1,000-plus-room resort, sources said. Hemmeter is known for its hugely successful string of Hawaii destination resorts; Stein-Brief is a development company that owns one of two remaining undeveloped long stretches on the Orange County coastline.

Hemmeter reportedly has acquired a one-year option on a hotel site at Monarch Beach, just up the coast from Dana Point and the city of Laguna Beach, both popular tourist resorts.

If officials from Hemmeter and Stein-Brief can work out an amicable plan, sources said, Hemmeter will buy an interest in the site and Hemmeter and Stein-Brief will seek third-party financing.

Sources have said the two developers already put together a conceptual plan that, so far, has not met with any local government opposition.

Continued on page 41

Consultants are crucial, and know it

By Steve Hemmerick

Some consultants have "virtual control" over pension funds, says James Nugent of Coldwell Banker; consultant-turned-manager John McMahan notes the "short list" is one of their most powerful tools.

Consultants wield immense power over the more than $90 billion in tax-exempt assets, sometimes being courted like kings and queens by real estate managers and deeply depended upon by pension committees and boards that are more comfortable with stocks and bonds.

Without the help of consultants, the amount of new money invested in real estate each year might slow to a trickle, real estate investment managers contend.

Although part of their task is to try and quantify real estate, consultants acknowledge the numbers are much less dependable than they are for financial assets.

Consequently, reality in the world of real estate is what the consultants say it is, and many of the decisions pension committees and boards make are based on reality that is given to them.

That power is sharply recognized by real estate

Continued on page 42

Forecasts put real estate on shaky ground

By Nancy White Norkus

PROPERTY'S
Crystal Ball
The economy

Inflation will climb as little as 2.75% or as much as 5% by the end of 1988, prompting skepticism about the performance of real estate as an asset class, PROPERTY's Crystal Ball survey of economists showed.

In addition, short-term interest rates will be between 5.25% and 6.7% in 15 months, the survey predicted.

Economists were asked to predict inflation as measured by the overall Gross National Product deflator, a price index based on domestically produced goods; interest rates as measured by 90-day Treasury bills; and employment growth. Economist also used permit values and housing starts to draw some conclusions about future real estate performance.

The slight hike in interest rates will bring up cap rates and make investment classes more competitive with real estate, explained David Shulman, vice president-real estate research, Salomon Brothers Inc., New York.

"We expect interest rates to rise from current levels — the three-month T-bill could move up another half a point — but rates will fall as the Fed is accommodative because of a weakening economy and the upcoming election," said Jesse M. Abraham, manager-economic forecasting at Dodge/DRI Construction & Real Estate Information Service, Lexington, Mass.

A slowdown in the general economy will bring down demand for real estate, said Robert A. Frank, senior real estate analyst at Alex. Brown & Sons Inc., Baltimore. "We expect real estate to continue to underperform stocks and bonds next year," he said.

Adjustments in permit values of non-residential properties also affect the real estate market, said Richard Kateley, executive vice president of Real Estate Research Corp., Chicago.

And, "Contract starts (not building permits) in square footage declined by some 7% — from 1.3 billion square feet (worth $79.18 billion) to 1.2 billion square feet (worth $78.97 billion) in 1988," said Mr. Abraham.

"More buildings are coming onto the market, but many of these are projects started years earlier that are just reaching conclusion." He predicted further slowdowns in the next two to five years.

Synchronized with the downturn in non-residential buildings, housing starts are predicted to fall to 1.6 million in 1988 from 1.63 million in 1987, said Gopal Ahluwalia, director of research with the National Association of Home Builders, Washington.

"A slight drop in construction starts won't do enough to help raise real estate value," reasoned Mr. Kateley. "I'm surprised it isn't going down more — we should see a halt in commercial development. We don't need any new space."

There is no indication that employment figures will help trim the supply gap. "Non-agricultural employment grows 2.2% for the next four quarters, keeping the unemployment rate below 6%," said DRI's Mr. Abraham. "But this is not enough to make a significant difference in many markets."

Philadelphia-based Wharton Econometrics Senior Economist John M. Savacool predicted "the job creation rate will rise only 2.3% for the next 12 months."

Wells Fargo Investment Advisors, San Francisco, predicted an even smaller growth in employment than DRI — 1.1% by Dec. 31, 1987; 1.7% through 1988, said Harold Nathan, senior economist.

The only positive news might come from inflation, where a rise in 1988 would boost property values, Mr. Abraham noted. "We expect inflation to pick up from its current rate, as import prices rise and filter through the price structure."

Expected to lag stocks and bonds into 1988, real estate is still finding its way back into institutional portfolios.

"Over the past two years we have had no real estate in our asset mix. About a month ago we shifted to include a 5% component in real estate," explained John S. Hekman, senior economist at The Claremont Economics Institute, Claremont, Calif. The firm recommends asset mixes in its investment newsletter, The Main Street Journal.

"We don't think the returns will be as strong as other vehicles over the next few years, but prices have bottomed out and we see it as a good time to buy in real estate," he said.

"I would say we're in a real estate liquidation phase now, but we do see a long-term favorable outlook, three to five years out," said Mr. Frank. "It's a good time to buy for value, but we're being very choosy, buying only public securities, REITs. We want the liquidity."

Mr. Abraham concluded: "As we enter the latter half of the 1980s, the factors which spurred real estate investment will not be prevalent. Real interest rates are high, inflation has decreased sharply, and the labor force growth will be below historical trends." ■

What the experts predict

	Inflation*		Interest rates**		Growth in employment	
	12/31/87	12/31/88	12/31/87	12/31/88	12/31/87	12/31/88
Wells Fargo Investment Advisors	4.0%	4.30%	6.5%	5.90%	1.10%	1.7%
Wharton Econometrics	4.0	4.20	6.1	6.70	NA	2.3
National Association of Home Builders	3.3	5.00	5.7	6.80	NA	NA
Dodge/DRI	3.2	3.50	5.9	6.15	2.40	2.2
Claremont Economics Institute	3.5	2.75	5.5	5.25	NA	NA

* GNP price deflator
** Based on 90-day Treasury bills

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Waikiki Center snagged

By John Covaleski

A Japanese investor paid $44.8 million in cash to a limited partnership sponsored by Integrated Resources Inc., New York, for Waikiki Trade Center, considered the finest office property in the Waikiki area of Honolulu County.

Ching Ming Wang, through his Yamate Real Estate Co. Ltd., Tokyo, acquired the property for about $11.3 million more than Integrated paid for it in 1985.

The center, which opened in 1980, is reportedly the only Class A office built in Waikiki in the 1980s. With 191,000 square feet of offices and retail space, the selling price of about $235 per square foot is the most ever paid for a building there.

Integrated Resources originally acquired the center in early 1985 for $33.5 million, financed through a $15.5 million first mortgage, a $9 million purchase money mortgage and $9 million in equity. The seller was a subsidiary of MEPC PLC of the United Kingdom.

Later that year, the limited partners and Waikiki Partners Corp., an Integrated subsidiary and general partner, acquired the property from Integrated, reportedly by taking out a $2 million third mortgage, assuming the equity position and agreeing to pay off Integrated's mortgages.

Some brokers were surprised Mr. Wang bought the property because Waikiki's office market vacancy rate, now at virtually zero, is expected to increase to 17% to 25% in early 1989 upon completion of an office project owned by Mutual of New York.

"It was very prudent of Integrated to sell when it did," commented Andrew D. Friedlander, president of Monroe & Friedlander Inc., a Honolulu-based brokerage firm. He predicted Waikiki's office vacancy rate will reach at least 25% in spring when MONY completes the conversion into offices of a 150,000-square-foot retail center it owns.

Benjamin D. Fein, executive vice president of Integrated, said his firm originally felt Waikiki Trade Center was a strong property. He said Integrated structured the 1985 acquisition largely as a tax-advantaged deal, but those advantages were wiped out with tax reform. He said he decided to sell this year when Japanese investors began approaching him about the property.

The sale will give the limited partners almost triple their net investment in the property, according to Mr. Fein. He said the group of high net-worth individuals collectively will receive at least $6 million in the sale. They put $2.5 million to $3 million into the deal, and saved $1.5 million in tax breaks, for a net investment of about $1.5 million, he said.

Integrated's sub, the general partner, will receive about $120,000 on its investment of about $90,000, Mr. Fein said.

Another $20 million from the sale will pay off the two mortgages (one held by Integrated and one by the limited partnership) and pre-payment penalties, and $800,000 is being set aside to make good on a two-year cash flow guarantee Mr. Wang received as part of the deal.

Linda Wu, president of LNW Investments, Honolulu, which represented Mr. Wang in the deal, said her client bought the Waikiki Trade Center because "he wanted the best office building in Waikiki, and that's what this is."

Mr. Wang's other holdings in Honolulu are the 245,000-square-foot Pioneer Plaza in the central business district, and the 90,000-square-foot Kapiolani Center.

Mr. Fein said the property generated a great deal of buyer interest this year, partly because of almost $1 million in improvements, mostly to the heating and air conditioning system.

Since the Integrated-led group acquired the center, occupancy of its 114,000 square feet of offices increased to 100% from 90% and occupancy of its 76,000 square feet of retail space increased to almost 90% from about 60%. ■

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DIRECTORY

Managers' assets up 27%

By Nancy K. Webman

Tax-exempt assets under management by 100 leading U.S. real estate money managers — including the 50 largest — grew a healthy 27% in the year ended June 30, while tax-exempt investors were making fundamental changes in how and where they invest their money.

Thanks, largely, to a steady flow of new commitments from public pension funds, tax-exempt real estate assets under management increased to $77.613 billion as of June 30, from $61.113 billion a year earlier, PROPERTY's survey shows.

(That $61.1 billion was revised from the $73.3 billion published in the Sept. 15, 1986, issue of Pensions & Investment Age because Aetna Life & Casualty incorrectly included almost $12.2 billion of general account mortgage assets in response to last year's survey.)

Total real estate assets held by the 100 managers increased 12% to $265.3 billion as of June 30, from $236.7 billion a year earlier. More than half of the total — almost $140 billion — was in mortgages and hybrid debt, the favored forms of investment for insurance company general accounts.

Because the 27% increase in tax-exempt assets comes at a time when the real estate industry is undergoing a downturn, the growth appears to be the result of new commitments from public funds that previously had been lagging their corporate counterparts in moving into real estate, consultants said.

But Bill Cottle, a real estate consultant with Callan Associates, San Francisco, said his firm also has had "a fair number of corporate clients who have added real estate, who were basically at zero (allocation) and committed, maybe 5% of assets."

Whether new contributions or old, tax-exempt investors — through their real estate managers — are making significant changes in their strategies for investing those assets:

- Pension funds and other tax-exempt institutions are putting more money into multifamily housing, hotels and resorts, mixed-use developments and other property classes, and less into office buildings and retail, their former mainstays.
- Tax-exempt institutions are increasing their investments in developmental deals, committing 11% of their assets to developmental projects as of June 30, vs. 7% a year earlier.
- Investors increasingly are turning to direct, separate account management and away from commingled funds.

Of the $77.6 billion in tax-exempt assets under management by the firms surveyed, 45.4% is in separate accounts, compared with 32% as of June 30, 1986.

Pension funds will continue to increase their commitments to separate accounts, said Catherine Janson, a real estate consultant with Buck Consultants, New York. Minimum account sizes are dropping because managers are co-investing the assets of several clients' separate accounts, she noted.

- Institutional investors are continuing to increase their investments in equity real estate.

The amount of money pension funds, foundations, endowments and other investors commit to equity real estate grew to more than $57 billion as of June 30, from $45.2 billion a year earlier. Equity investments represent 73.5% of tax-exempt assets under management by the 100 real estate firms in the survey, about the same percentage as the year before.

Three factors are most responsible for these evolutionary shifts.

First, tax-exempt investors are becoming more knowledgeable about, and more comfortable with, real estate as an asset class.

The increase in developmental deals is "a function of being better educated in the real estate market and being more willing to accept more risk," said Callan's Mr. Cottle.

That growing level of comfort and sophistication also leads to a willingness to venture away from commingled real estate pools. The jumbo commingled funds, broadly diversified by property type and geographic location, have been viewed as benchmarks for the institutional real estate market, functioning similar to index funds.

Investors' desire to outperform the market likely has led to their increased commitments to what had been less traditional avenues, such as separate accounts and investments in developmental properties.

Second, returns on some office and retail properties, the traditional havens for tax-exempt real estate money, are suffering. Buck's Ms. Janson said part of the decline in assets in offices results from writedowns by managers on office properties in weak markets, including the oil patch. In retail, she said, strip shopping centers are overbuilt, though regional malls are doing well.

Third, competition for trophy properties from foreign investors, especially the Japanese, is forcing U.S. institutions to diversify into other areas (both by property type and geography).

Changes in investments by property type, while not glaring, are significant.

According to PROPERTY's survey of 100 real estate money managers, tax-exempt investors had 39% of their assets in office/commercial properties as of June 30, down from 40% a year ago and 20% in retail, down from 22%; 18% industrial, down from 20%; and 3% in land, down from 6%.

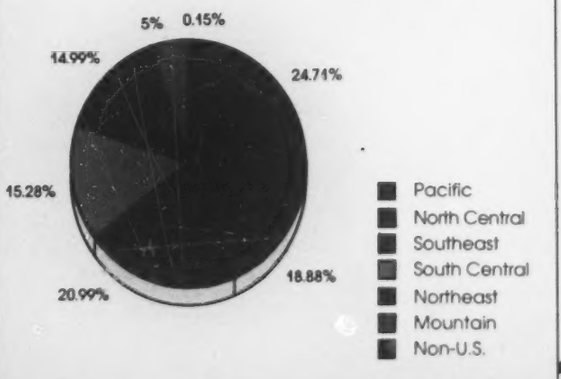
Assets were moved into what last year's survey referred to as "other" property types, among them hotels/resorts, mixed-use developments, multifamily housing, congregate care and health-care facilities. The 100 managers surveyed had 20% of their assets in those areas as of June 30, up from 12% a year earlier.

Specifically, the managers reported they had 9% of their assets in multifamily housing as of June 30; 2% each in hotels/resorts and mixed-use developments; and 7% in other property types, mostly research and development.

(If research and development properties are

Continued on page 34

Investments by region



Key to geographic areas:

NORTH CENTRAL: Ohio, Illinois, Indiana, Michigan, Wisconsin, Minnesota, Iowa, Missouri, South Dakota, North Dakota, Nebraska and Kansas.

NORTHEAST: Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey and Pennsylvania.

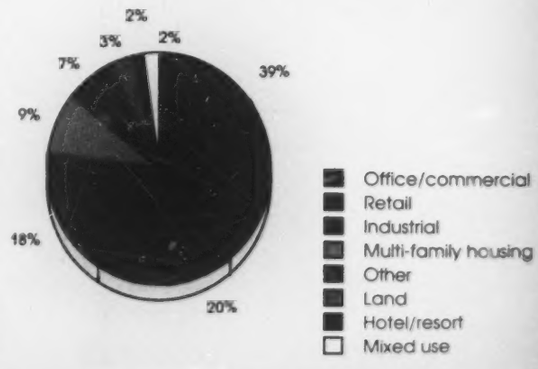
SOUTH CENTRAL: Kentucky, Tennessee, Alabama, Mississippi, Arkansas, Louisiana, Oklahoma and Texas.

SOUTHEAST: Delaware, Maryland, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina and Georgia.

MOUNTAIN: Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah and Nevada.

PACIFIC: Alaska, Washington, Oregon, California and Hawaii.

Investments by property type



Real estate investment advisers ranked by tax-exempt assets

	Firm	Tax-exempt assets: Total	Equity	Hybrid debt	Mortgages	Total taxable/ tax-exempt	Total assets: Equity	Hybrid debt	Mortgages
1.	Equitable Real Estate Investment Mgmt.	6,887	6,365	153	369	26,644	13,472	1,721	11,451
2.	Prudential Realty Group	5,709	5,476		233	33,937	9,601	5,293	19,043
3.	Aetna Life & Casualty	4,065	2,937	1,091	37	23,683	4,058	1,099	18,526
4.	Heitman Advisory	3,993	3,993			4,265	4,265		
5.	Copley Real Estate Advisors	3,870	3,870			7,900	7,900		
6.	RREEF	2,984	2,984			2,984	2,984		
7.	F.I.A. Associates	2,421	1,058	1,026	157	2,421	1,058	1,206	157
8.	Corporate Property Investors	2,400	2,400			3,200	3,200		
9.	JMB Institutional Realty	2,293	2,293			16,769	16,164	237	368
10.	Boston Co. Real Estate Counsel	2,104	286	1,818		2,104	286	1,818	
11.	Balcor Institutional Realty Advisors*	2,083	351	1,732		6,370	3,733	1,732	
12.	Aldrich, Eastman & Waltch	2,007	232	1,535	240	2,300	400	1,660	240
13.	Eastdil Realty	1,936	1,570	92	274	2,085	1,669	92	324
14.	LaSalle Advisors	1,904	1,904			1,904	1,904		
15.	TCW Realty Advisors	1,419	1,080	339		1,419	1,080	339	
16.	J.P. Morgan Investment Mgmt.	1,353	611	742		1,743	902	841	
17.	CIGNA Asset Advisers	1,326	1,326			11,736	2,455		9,281
18.	Richard Ellis	1,310	1,190	120		3,200	3,080	120	
19.	McMorgan	1,300	300		1,000	1,300	300		1,000
20.	Latimer & Buck	1,243		597	646	1,243		597	646
21.	Mellon Real Estate Investment	1,100	500	370	230	1,100	500	370	230
22.	Security Capital Real Estate	1,045	1,045			1,300	1,300		
23.	August-Am Cal Advisors	1,035	387	293	355	1,194	387	293	514
24.	Jones Lang Wootton Realty Advisors	1,000	800	200		1,700	1,500	200	
25.	First Chicago Investment Advisors	980	980			1,025	1,025		
26.	Wells Fargo Realty Advisors	866	222	297	347	3,263	325	297	2,641
27.	Lehndorff & Babson Real Estate Counsel	845	845			1,962	1,962		
28.	L.J. Melody	815		483	332	2,254		802	1,452
29.	Alex. Brown Realty Advisors	797	153	612	32	1,397	753	612	32
30.	Property Capital Associates	744	744			744	744		
31.	Kennedy Associates Real Estate Counsel	718	411	264	43	718	411	264	43
32.	Coldwell Banker Capital Mgmt. Services	716	716			716	716		
33.	J.W. O'Connor	683	604	79		743	664	79	
34.	Metropolitan Life Insurance	665	599		66	19,200	6,500		12,700
35.	Lomas & Nettleton Advisory Group	664		501	163	664		501	163
36.	John Hancock Properties	659	659			1,664	1,664		
37.	Citicorp Real Estate Investment & Mgmt.*	634	500	93	41	779			
38.	First Wachovia Bank & Trust	619	619			619	619		
39.	Karsten Realty Advisors	586	373	67	146	854	641	67	146
40.	First RepublicBank Dallas	566	480		86	987	898		89
41.	NCNB National Bank*	562	372	111		762	572	111	
42.	PSI Institutional Realty	555	555			2,200	2,200		
43.	Travelers	507	422		85	18,809	1,403		17,406
44.	Phoenix	472	123	131	218	2,050	406	216	1,428
45.	MIG Realty Advisors	439	186	128	125	439	186	128	125
46.	Scudder Realty Advisors	401	32	76	293	401	32	76	293
47.	State Street Bank and Trust*	396	162	131		396	162	131	
48.	McMahan Real Estate Services	383	301	82		400	318	82	
49.	PMRealty Advisors	335	335			661	661		
50.	Union Labor Life Insurance	324			324	324			324
51.	Chesterton USA	303	207	96		303	207	96	
52.	Goldman, Sachs	291	291			338	338		
53.	Hancock Timber Resource Group	269	269			432	283	7	142
54.	Johnstown Institutional Advisors	267	70	168	29	5,192	4,593	332	267
55.	Bennett & Kahnweiler Realty Advisors	265	260	5		315	310	5	
56.	Fayez Sarofim	253			253	253			253
57.	Bank of Boston*	228	172	56		228	172	56	
58.	Frank Russell Trust*	223	223			223	223		
59.	Trident/Meyer Real Estate Advisors	208	156		52	208	156		52
60.	Equitec Institutional Realty Advisers	200	200			1,600	1,600		
61.	Principal	184	66		118	9,394	246		9,148
62.	Grubb & Ellis Investment Advisors	178	157	5	16	729	662	29	38
63.	Piedmont Realty Advisors	153	80	73		1,050	331	719	
64.	Loeb Partners Realty	150	150			650	650		
65.	Woodmont Realty Advisors	150	150			500	500		
66.	Trinity Advisors	137	137			137	137		
67.	Schroder Real Estate Associates	125	125			1,127	1,100		27
68.	Landauer Advisors	114	114			321	321		
69.	Bruce R. Lieberman	100	80		20	100	80		20
70.	Wellington Real Estate	100			100	100			100
71.	National Property Advisors	100	99	1		282	280	1	
72.	SUHRCO Real Estate Advisors	85	85			100	100		
73.	T. Rowe Price Realty Advisers	84	84			240	240		
74.	D.A. Management	83	56	15	12	83	56	15	12
75.	MRealty	76	76			231	220	2	9
76.	MONY Financial Services	72	72			4,072	1,072		3,000
77.	Mass Mutual Life Insurance	71	71			4,460	660		3,800
78.	Chase Investors Management*	70	15	55		2,200			
79.	Acquest Capital Mgmt.	60	3	19	38	105	3	48	54
80.	Tomlin Properties	47	47			508	508		
81.	Hayden, Tolzmann & Associates	37	37			37	37		
82.	Peckham Boston	30	30			30	30		
83.	Third National Bank	30	24	6		76	70	6	
84.	Harris Trust and Savings Bank	28	26	2		20	18	2	
85.	Southport Financial	28	28			103	97	6	
86.	Forest Investment Associates	26	26			26	26		
87.	United Virginia Bank	25	25			25	25		
88.	Garrett Realty Advisors	20	20			20	20		
89.	Mercantile Bank*c	13				13			
90.	HT Investors	10	10			10	10		
91.	Centerre Trust Co./St. Louis	8	8			8	8		
92.	American Agricultural Investment Mgmt.*	7				14			
93.	First Wisconsin Trust*	7	7			20			
94.	Oxford Realty Advisors	0				1,900	320	300	1,280
95.	Agrivest	0				470	50		420
96.	AMB Investments	0				250	250		
97.	Jacques & Kurdziel	0				250	250		
98.	Wagner Forest Investments*	0				65			
99.	Farmvest	0				2	2		
100.	Smith Barney Bircher Realty Advisors	0				0			
	TOTAL	77,613	57,087	13,845	6,479	265,332	121,302	22,608	117,244

* Manager of managers
c REITS
* Other assets included in total

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Aetna Life & Casualty

151 Farmington Ave., Hartford, Conn. 06156; (203) 636-6226

Tax-exempt real estate assets	$4,065 million
Equity	$2,937 million
Hybrid debt	$1,091 million
Mortgages	$37 million
Commingled or pooled funds	
Equity	$2,537 million
Hybrid debt	$1,052 million
Direct, separate accounts	
Equity	$399 million
Hybrid debt	$40 million
Mortgages	$37 million
Total real estate assets	$23,683 million
Equity	$4,058 million
Hybrid debt	$1,099 million
Mortgages	$18,526 million

As of June 30, the tax-exempt equity assets of Aetna Life & Casualty had a market value of $2.172 billion. Contributions received by not invested were $115 million; contributions committed but not received were $650 million.

The hybrid debt holdings had a market value of $987 million. Contributions received by not invested were $104 million. The market value of the mortgages was $7 million; contributions committed but not received were $30 million.

Of the total under management, $121 million was for foreign clients.

For tax-exempt assets, the mix by property type was 44.4% commercial; 15.1% retail; 6.2% hotel/resort; 12.3% mixed use; 10.6% industrial; 11.2% multifamily housing; and 0.2% single family mortgages.

For taxable assets, the mix by property type differs little; however, taxable clients are more likely to be involved in development investments at the early stages such as land acquisition or zoning approval.

During the next year, the firm expects to be a net buyer of retail, apartments and industrial properties and a net seller of office, hotels, and office/R&D and mixed-use properties.

Aetna expects to be a net buyer in the Northeast, Pacific, North Central and Southeast regions and a net seller in the South Central and Mountain regions.

The concentration during the next year will be on property management through tenant retention, new leasing and improving and repositioning investments by expansion and/or renovation.

Aetna offers open- and closed-end funds, including specialty (one property type) and participating mortgage funds; individual separate accounts; and single-property separate accounts.

Open-end funds are the $1.779 billion Real Estate Separate Account, which invests, nationwide, in all property types, either existing, well-leased or to-be-built properties, with investments structured either as joint ventures or wholly owned ones; the $985 million Participating Mortgage Separate Account; the $49 million Union Separate Account, which invests in participating mortgages in union-built properties.

Aetna's Institutional Investors I limited partnership closes Sept. 30; it will invest primarily in apartments, retail centers and industrial properties.

Aetna handles property management for 35% of the properties it owns; Lincoln Property Co., Rouse, Coldwell Banker and Rubloff are among those managing property for Aetna.

The parent company is Aetna Life and Casualty Co. Its subsidiary is Aetna Realty Investors Inc.

William M. Russell, senior vice president-equity real estate investments, and Blake W. Irons, senior vice president-mortgage financing, are in charge of making property investments. T. Jerald Moore, vice president-employee benefits division, is client contact.

Aldrich, Eastman & Waltch

265 Franklin St., Boston, Mass. 02110; (617) 439-9000

Tax-exempt real estate assets	$2,007 million
Equity	$232 million
Hybrid debt	$1,535 million
Mortgages	$240 million
Direct, separate accounts	
Equity	$232 million
Hybrid debt	$1,535 million
Mortgages	$240 million
Total real estate assets	$2,007 million

Aldrich, Eastman & Waltch Inc.'s asset mix by property type as of June 30 was 37% office/commercial; 41% retail; 1% hotel/resort; 12% industrial; and 9% development.

The property mix by location was 43% East, 12% South, 31% West and 14% Midwest.

The concentration during the next year will be on acquisition and property management and, when appropriate, sales and refinancing.

Aldrich, Eastman & Waltch offers separate accounts. It serves as investment adviser to State Street Bank & Trust Co.'s series of closed-end commingled funds, which have $293 million in equity and hybrid debt.

The firm doesn't provide property management.

Six of the firm's principals are in charge of making property investments. Robert J. Hannan, vice president, is client contact.

PROPERTY's Agenda: page 38.

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Alex. Brown Realty Advisors

225 E. Redwood St., Baltimore, Md. 21202; (301) 727-3884

Tax-exempt real estate assets	$797 million
Equity	$153 million
Hybrid debt	$612 million
Mortgages	$32 million
Direct, separate accounts	
Equity	$153 million
Hybrid debt	$612 million
Mortgages	$32 million
Total real estate assets	$1,397 million
Equity	$753 million
Hybrid debt	$612 million
Mortgages	$32 million

As of June 30, the tax-exempt equity assets of Alex. Brown Realty Advisors Inc. had a market value of $91 million. Contributions committed but not received were $62 million.

The hybrid debt holdings had a market value of $412 million. Contributions committed but not received were $200 million. Mortgages had a market value of $32 million.

For tax-exempt assets, the mix by property type is 60% office/commercial, 14% retail, 20% hotel/resort, 3% industrial, 2% multifamily housing and 1% health care.

Investments for taxable clients typically are in multifamily and retail properties.

The firm expects to be a net buyer of retail, office and industrial properties during the coming year.

The total property portfolio is 10% in the North Central region; 15%, Northeast; 13%, South Central; 24%, Southeast; 6%, Mountain and 32%, Pacific. The firm expects to be a net buyer in the Northeast, Southeast and Pacific regions.

The concentration during the next year will be on acquisition to fulfill client objectives.

The firm offers separate accounts and closed-end funds.

Alex Brown does no property management. For property management, its hires Cushman & Wakefield and Norris, Beggs & Simpson.

Clients include Oregon Employes and Texas Teachers.

The parent company is Alex. Brown & Sons. Robert H. Gidel, president, is in charge of making property investments. William K. Morrill, vice president, is client contact.

August-Am Cal Advisors Inc.

4730 Woodman Ave., No. 220, Sherman Oaks, Calif. 91423; (818) 990-3250

Tax-exempt real estate assets	$1,035 million
Equity	$387 million
Hybrid debt	$293 million
Mortgages	$355 million
Direct, separate accounts	
Equity	$387 million
Hybrid debt	$293 million
Mortgages	$355 million
Total real estate assets	$1,194 million
Equity	$387 million
Hybrid debt	$293 million
Mortgages	$514 million

As of June 30, the tax-exempt equity assets of August-Am Cal Advisors Inc. had a market value of $352 million. Contributions received but not invested were $35 million. The hybrid debt holdings had a market value of $293 million. The mortgage assets had a market value of $341 million. Contributions committed but not received were $13 million.

For tax-exempt assets, the mix by property type is 14.4% office/commercial, 17.5% retail, 10% hotel/resort, 10% mixed use, 16.8% industrial, 29.5% multifamily housing and 1.8% congregate care and senior housing.

The firm expects to be a net buyer of apartments, retail shopping centers, garden-type office buildings, senior housing and congregate care.

The total property portfolio is located 10% in the North Central region; 2% Northeast; 5% South Central; 8% Southeast; 9% Mountain; and 66% Pacific. August-Am Cal expects to be a net buyer in all regions.

The concentration during the next year will be on acquisition and foundation loan commitments, based on client guidelines.

August-Am Cal offers separate accounts and an open-end fund.

Building for America Fund is a group trust for Taft-Hartley pension plans. Union-built apartments will be purchased at completion, with a pre-set occupancy level, under contract with developers/builders.

It does property management for 60% of the properties it owns. The firm also does workouts on specific properties from FSLIC.

Investment clients include Hawaii Development Foundation; Southern Electrical Retirement Fund and Carpenters Pension Trust for Southern California.

The parent company is August Financial Corp., a subsidiary of GLENFED Inc.

A company investment committee of senior managers is in charge of making property investments. S.Q. Della-Grotta, executive vice president, is client contact.

Balcor Institutional Realty Advisors Inc.

4849 Golf Road, Skokie, Ill. 60077 (312) 677-2900

Tax-exempt real estate assets	$2,083 million
Equity	$351 million
Hybrid debt	$1,732 million
Commingled or pooled funds	
Equity	$351 million
Hybrid debt	$1,732 million
Total real estate assets	$6,370 million
Equity	$3,733 million
Hybrid debt	$1,732 million
Other	$905 million

As of June 30, the tax-exempt equity assets of Balcor Institutional Realty Advisors had a market value of $281 million. Contributions received but not invested were $70 million.

The hybrid debt holdings had a market value of $1.588 billion. Contributions received but not invested were $144 million.

In its taxable portfolio, Balcor has $905 million invested in short-term and interim construction loans.

For tax-exempt assets, the mix by property type is 36% office/commercial; 13% retail; 1% hotel/resort; 8% industrial; 35% multifamily housing; and 7% mobile home communities.

Taxable accounts have a greater emphasis on multifamily housing and mobile homes.

During the next year, Balcor expects to be a net buyer of office, retail and apartment properties.

Balcor's total portfolio is invested 18% in the West; 9%, East; 53%, South; and 20%, Midwest. The firm expects to be a net buyer in the Midwest, East and West.

The concentration during the next year will be on property management and acquisition.

All of Balcor's institutional assets are in commingled funds run by The Balcor Co. The institutional group plans to launch its own commingled funds as well as separate accounts.

Balcor handles property management for 94% of its commercial properties and 80% of its apartments.

Clients include Michigan Municipal Employees, Minneapolis Employees and Iron Workers Local No. 16.

The parent company is Shearson Lehman Brothers Inc., which also owns Boston Co. Real Estate Counsel.

Richard B. Stern, first vice president, is in charge of equity acquisitions. Gregory S. Miller, first vice president, is in charge of participating mortgages. John L. West, president, is client contact.

The Boston Co. Real Estate Counsel Inc.

1 Boston Place, Boston, Mass. 02106; (617) 722-7102

Tax-exempt real estate assets	$2,104 million
Equity	$286 million
Hybrid debt	$1,818 million
Commingled or pooled funds	
Equity	$20 million
Hybrid debt	$85 million
Direct, separate accounts	
Equity	$266 million
Hybrid debt	$1,733 million
Total real estate assets	$2,104 million

All of The Boston Co. Real Estate Counsel's assets are tax exempt. As of June 30, the market value of equity assets was $286 million.

The hybrid debt had a market value of $1.631 billion. Contributions received but not invested were $187 million.

The property type mix is 66% office/commercial, 17% retail, 4% industrial, 6% mixed use, 3% multifamily housing and 4% research and development.

Its geographic mix is 11% North Central; 39% Northeast; 4% South Central; 16% Southeast; 30% Pacific states.

The firm expects to be a net buyer of apartments, office, industrial and retail properties during the next year, especially in the Northeast, Pacific states and North Central regions.

The concentration during the next year will be on property management because of the lack of attractively priced, high-quality investments and because more competitive leasing markets will necessitate active management of existing investments.

The firm offers separate account investments and closed-end funds.

The firm doesn't handle its own property management; it usually hires the developer/owner to do so.

Clients include AT&T, General Motors and Rockwell International.

The parent company is The Boston Co. Inc.

Mary L. Johnston, senior vice president, is in charge of making property investments. Robert A. Radloff, president, is client contact.

CIGNA Asset Advisers Inc.

Hartford, Conn. 06152; (203) 726-6000

Tax-exempt real estate assets	$1,326 million
Commingled or pooled funds	
Equity	$1,213 million
Direct, separate accounts	
Equity	$113 million
Total real estate assets	$11,735 million
Equity	$2,454 million
Mortgages	$9,281 million

As of June 30, the tax-exempt equity assets of CIGNA Asset Advisers Inc. had a market value of $1.031 billion. Contributions received but not invested were $140 million; contributions committed but not received were $155 million.

Of the total under management, $42 million was for foreign clients, all pension clients.

For its tax-exempt assets, CIGNA's property mix is 32.6% office/commercial; 22.6% retail; 4.1% hotel/resort; 4.3% mixed use; 4.2% industrial; 10.1% multifamily housing; and 22.1% research and development.

It is placing greater emphasis on retail, research and development and apartment properties and less emphasis on office buildings and hotels.

Its total property portfolio has a geographic mix of 23.4% North Central; 6.7% Northeast; 24.7% South Central; 25.1% Southeast; 0.6% Northwest; and 19.5% Southwest. The firm expects to be a net buyer in the Northeast, Midwest and Florida, and some sales in the Northeast.

During the next year, CIGNA will concentrate on acquisitions, followed by property management because the current, difficult market has undervalued properties worth purchasing and makes aggressive property management a high priority.

CIGNA offers open- and closed-end funds, direct separate accounts and limited partnerships.

Fund T, a closed-end limited partnership, and CERF II, a closed-end fund, both are accepting subscriptions. Both funds will have relatively short lives of about seven years. They will invest in properties requiring rehabilitation or upgrading with the potential for high capital appreciation.

Separate Account R, an open-end fund, consists of moderate, existing and to-be-built properties, diversified by property type and location. Investments can be 100% equity, construction loans convertible to equity and joint ventures.

Property management is often handled by joint venture partners. Other firms hired include Trammell Crow, R&B, PCA, Koll and Chasewood.

Investment clients include Kellogg, New York Common, Ford and Salt River Project.

The parent company is CIGNA Corp. CIGNA Investments Inc. handles real estate management.

Thomas P. Mahoney, vice president, has chief responsibility for making

property investments. Richard R. Anderson, senior vice president, is client contact.

Citicorp Real Estate Investment & Management

153 E. 53rd St., 15th Floor, New York, N.Y. 10043 (212) 559-9332

Tax-exempt real estate assets	$634 million
Equity	$500 million
Hybrid debt	$93 million
Mortgages	$41 million
Commingled or pooled funds	
Equity	$299 million
Hybrid debt	$93 million
Mortgages	$41 million
Direct, separate accounts	
Equity	$201 million
Total real estate assets	$779 million

As of June 30, the tax-exempt equity assets of Citicorp Real Estate Investment & Management had a market value of $500 million. The hybrid debt holdings had a market value of $93 million; the mortgages, $41 million.

Of the total under management, $145 million was for foreign pension funds.

For tax-exempt assets, the mix by property type is 71% office/commercial, 24% retail, 2% hotel/resort and 3% industrial.

The firm expects to be a net buyer of retail, office and industrial properties during the coming year.

The total property portfolio location is 45% in the West; 9% Midwest; 38% East; 8% South.

It will be a buyer and a seller in the East in the coming year.

The concentration during the next year will be on acquisitions satisfying the investment requirements of clients; property management because of the current weakness in the real estate market; and property sales because good prices in the marketplace will permit sales at premium prices.

Citicorp offers open-end funds and direct separate accounts. Its $299 million Citicorp's Real Estate Equity Fund emphasizes properties with management and/or leasing enhancement opportunities, and has a diversified assets mix and moderate risk assumption with the objective of preservation of capital through current income and capital appreciation.

The firm does not do property management.

The parent company is Citicorp.

Michael Vitale, vice president, is in charge of making property investments. H. Piper Andrews Jr., vice president, is client contact.

Coldwell Banker Capital Management Services

533 Fremont Ave., Los Angeles, Calif. 90071; (213) 613-3123

Tax-exempt real estate assets	$716 million
Equity	$716 million
Commingled or pooled funds	
Equity	$528 million
Direct, separate accounts	
Equity	$188 million
Total real estate assets	$716 million

As of June 30, the tax-exempt equity assets of Coldwell Banker had a market value of $716 million.

The mix by property type is 35.7% office/commercial, 25.1% retail, 17% industrial and 22.2% mixed use.

The firm expects to be a net buyer of industrial, retail and office properties.

The mix by location is 20.4% North Central, 23.1% Northeast, 12.6% South Central, 8.9% Southeast and 35% Pacific.

Coldwell Banker expects to be a net buyer in the Northeast, Pacific and North Central regions.

The concentration during the next year will be on property management because it is necessary in soft markets.

Coldwell Banker offers separate accounts and closed-end funds, which are structured as limited partnerships. The funds are basically equity funds with some development and convertible mortgages.

The firm does property management for 65% of the properties it owns.

Clients include AT&T, ITT, Alcoa, and Atlantic Richfield.

The parent company is Sears Roebuck. Another subsidiary is Homart.

Tad Jones, president, is in charge of making property investments. James G. Nugent, senior vice president, is client contact.

Copley Real Estate Advisors

399 Boylston St., Boston, Mass. 02116; (617) 578-1200

Tax-exempt real estate assets	$3,870 million
Equity	$3,870 million
Commingled or pooled funds	
Equity	$3,184 million
Direct, separate accounts	
Equity	$686 million
Total real estate assets	$7,900 million
Equity	$7,900 million

As of June 30, the tax-exempt equity assets of Copley Real Estate Advisors had a market value of $3.489 billion. Contributions received but not invested were $207 million; contributions committed but not received were $174 million.

For tax-exempt assets, the mix by property type is 20% office/commercial, 5% retail, 4% hotel/resort, 8% multifamily housing, 43% industrial and 20% research and development.

The firm expects to be a net buyer of industrial, research and development, retail and residential properties during the year.

The total property portfolio location is 17.1% East; 7.9% South; 5.7% Midwest; 69.3% West.

Copley expects to be net buyers on the West and East coasts during the year.

Its concentration will be on development/management. Because of the developmental nature of Copley's strategy, to increase the value of properties the firm needs to emphasize management of its investments.

The firm offers open- and closed-end funds and separate account management. Its Developmental Properties Account is an open-fund with $731 million in net asset value.

Property management is handled by the firms' local developer partners.

Investment clients include AT&T, Blue Cross/Blue Shield Association and Boston Edison.

Its parent company is The New England, which also is a taxable client.

Kevin M. Mahony, principal, is in charge of making property investments. John C. Phillips Jr. is client contact.

Corporate Property Investors

305 E. 47th St., New York, N.Y. 10018; (212) 421-8200

Tax-exempt real estate assets	$2,400 million
Equity	$2,400 million
Commingled or pooled funds	
Equity	$850 million
Direct, separate accounts	
Equity	$1,550 million
Total real estate assets	$3,200 million
Equity	$3,200 million

As of June 30, the tax-exempt equity assets of Corporate Property Investors had a market value of $2.4 billion. CPI manages a total of $3.2 billion for tax-exempt and taxable clients, of which $800 million is for foreign clients.

The asset mix by property type is 14% office/commercial 83% retail and 3% industrial.

The asset mix by location is 40% Northeast, 35% South, 7% Midwest and 18% West.

The concentration during the next year will be on property management because retail properties are overpriced.

The firm offers real estate investment trusts.

Corporate Property Investors does property management for 65% of the properties it owns. It hires Rouse, DeBartolo and Cadillac Fairview for property management.

Investment clients include GM, Pennsylvania Employees, Yale and Ford Foundation.

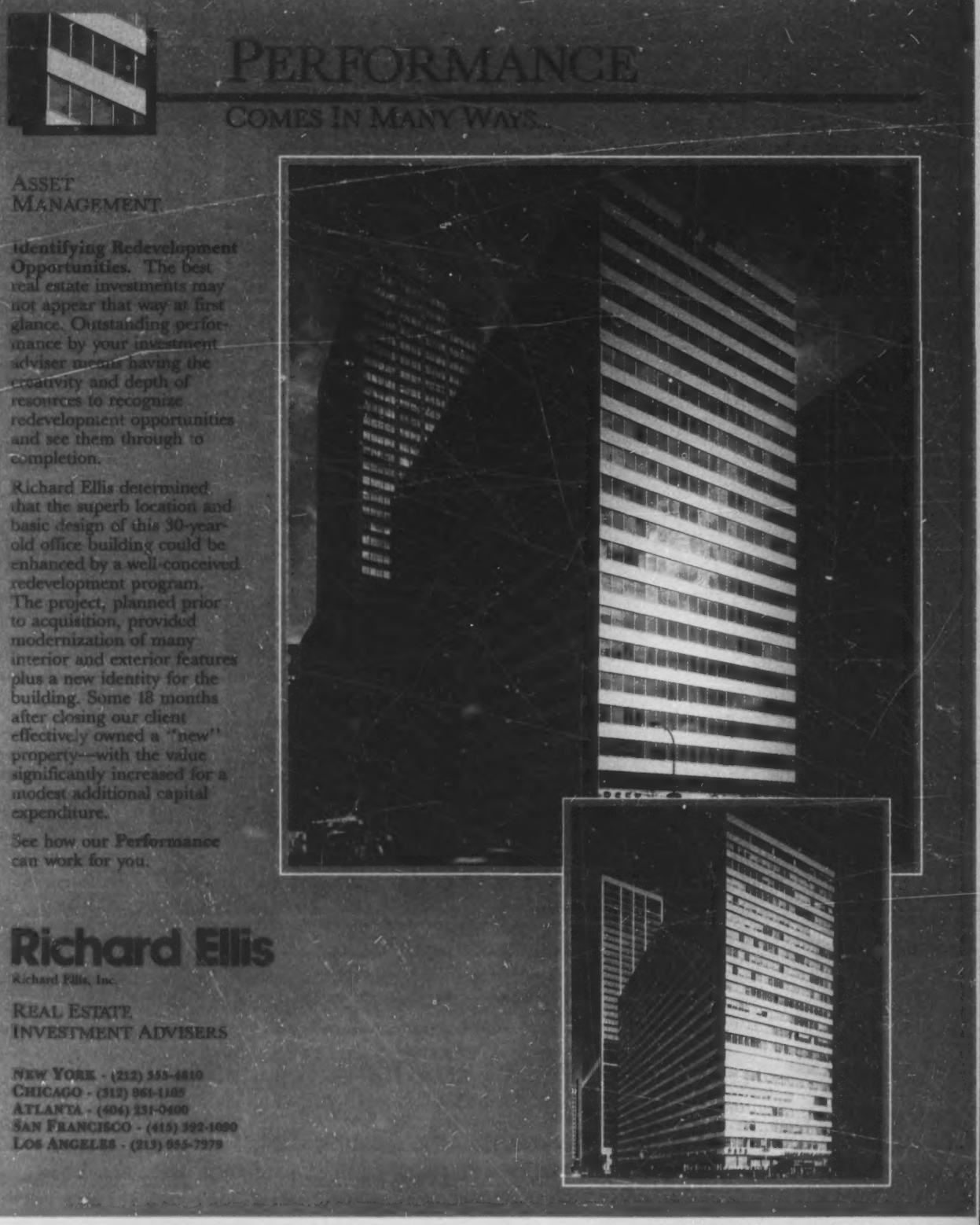
The parent company is Corporate Realty Consultants.

G. Martin Feli, senior vice president, is in charge of making property investments. Warren Hamer is client contact.

Eastdil Realty Inc.

40 W. 57th St., New York, N.Y. 10019; (212) 315-7200

Tax-exempt real estate assets	$1,936 million
Equity	$1,570 million
Hybrid debt	$92 million
Mortgages	$274 million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Commingled or pooled funds	
Equity	$11 million
Direct, separate accounts	
Equity	$1,559 million
Hybrid debt	$92 million
Mortgages	$274 million
Total real estate assets	$2,085 million
Equity	$1,669 million
Hybrid debt	$92 million
Mortgages	$324 million

As of June 30, the tax-exempt equity assets of Eastdil Realty Inc. had a market value of $1.504 billion. Contributions committed but not received were $66 million.

The hybrid debt holdings had a market value of $92 million; the mortgages, $274 million.

For tax-exempt assets, the mix by property type is 60% office/commercial, 10% retail, 2% hotel/resort, 23% industrial and 5% multifamily housing.

The total property portfolio is located 12% in the North Central region; 5% Northeast; 40% South Central; 8% Southeast; 5% Mountain; and 30% Pacific.

Eastdil offers separate accounts to tax-exempt clients; it is liquidating its commingled account.

The firm does property management for 15% of the properties it owns.

Investment clients include AT&T, Missouri Employees and Chrysler.

Benjamin V. Lambert, chairman and chief executive officer, is in charge of making property investments. Donald E. Conover, vice president, is client contact.

Richard Ellis Inc.

527 Madison Ave., New York, N.Y. 10022; (212) 355-4810

Tax-exempt real estate assets	$1,310 million
Equity	$1,190 million
Hybrid debt	$120 million
Direct, separate accounts	
Equity	$1,190 million
Hybrid debt	$120 million
Total real estate assets	$3,200 million
Equity	$3,080 million
Hybrid debt	$120 million

As of June 30, the tax-exempt equity assets of Richard Ellis Inc. had a market value of $820 million. Contributions committed but not received were $370 million.

The hybrid debt holdings had a market value of $120 million.

Of the total under management, $1.89 billion was for foreign clients, including $1.31 billion for foreign pension funds.

The asset mix by property type is 68% office/commercial, 30% retail and 2% industrial. During the coming year, Richard Ellis expects to be a buyer of office buildings, regional malls and industrial type properties, and a seller of industrial and office buildings.

The total property portfolio is located 11% in the North Central region; 43%, Northeast; 3%, South Central; 4%, Southeast; and 39%, Pacific. During the next year, the firm expects to buy properties in the Northeast, Pacific, Southeast and South Central regions and sell in the Northeast and South Central regions.

The firm offers separate accounts, and property manages 35% of its investments.

Clients include San Bernardino County and California Employees.

Christopher D. Budden, president, is in charge of making property investments. David R. Hodes, senior vice president, is client contact.

Equitable Real Estate Investment Management

787 Seventh Ave., 46K, New York, N.Y. 10019; (212) 554-4213

Tax-exempt real estate assets	$6,887 million
Equity	$6,365 million
Hybrid debt	$153 million
Mortgages	$369 million
Commingled or pooled funds	
Equity	$4,555 million
Hybrid debt	$132 million
Mortgages	$12 million
Direct, separate accounts	
Equity	$1,810 million
Hybrid debt	$21 million
Mortgages	$357 million
Total real estate assets	$26,644 million
Equity	$13,472 million
Hybrid debt	$1,721 million
Mortgages	$11,451 million

As of June 30, the tax-exempt equity assets of Equitable Real Estate Investment Management Inc. had a market value of $5.738 billion. Contributions received but not invested were $405 million; contributions committed but not received were $222 million.

The hybrid debt holdings had a market value of $153 million, the mortgages, $369 million.

Of the total under management, $585 million was for foreign, non-pension clients.

For tax-exempt assets, the mix by property type is 44.1% office/commercial, 30.2% retail, 8.2% hotel/resort, 14.2% industrial and 3.3% special purpose/land.

The firm expects to be a net buyer of shopping centers, industrial and office properties and a net seller of hotels during the next year.

The total property portfolio is located 38.8% in the Northeast; 27.5%, Southeast; 13.4%, Midwest; and 20.3%, West.

Equitable offers open and closed-end separate accounts, single client separate and advisory accounts and direct investments.

The Prime Property Fund is an open-end commingled account that invests in high-quality, income-producing real property purchased for the long term. Existing, fully leased properties are emphasized, but in some cases Equitable will forward commit to acquire properties yet to be built. The fund has 229 participants and a value of $4.565 billion.

The Asset Enhancement Fund is a closed-end fund that will invest in a select group of existing, well-located, commercial properties with substantial potential for additional development through renovation and expansion. There are six participants to date and $91 million committed.

Equitable does property management for 18.5% of the properties it owns. Among the property managers it uses are Tishman Speyer, Trammell Crow, Oliver T. Carr and KRAVCO.

Investment clients include Exxon, California Employees, North American Philips and Westinghouse.

The parent company is Equitable Life Assurance Society of the United States. Subsidiaries include Equitable Agri-Business Inc., Equitable Mortgage Resources Inc. and EQK Partners.

Bruce Moulthrop, executive vice president, is in charge of making property investments. Joyce R. Frater, senior vice president, is client contact.

F.I.A. Associates

1601 Response Road, Suite 300, Sacramento, Calif. 95815; (916) 920-4051

Tax-exempt real estate assets	$2,421 million
Equity	$1,058 million
Hybrid debt	$1,206 million
Mortgages	$157 million
Commingled or pooled funds	
Equity	$89 million
Hybrid debt	$14 million
Direct, separate accounts	
Equity	$969 million
Hybrid debt	$1,192 billion
Mortgages	$157 million
Total real estate assets	$2,421 million

At F.I.A. Associates, where all assets are tax exempt, the equity assets had a market value of $849 million as of June 30. Contributions committed but not received were $209 million.

The hybrid debt holdings had a market value of $830 million. Contributions committed but not received were $376 million. The market value of the mortgages was $157 million.

The mix by property type is 47.3% office/commercial; 17.5% retail; 2% hotel/resort; 8.4% mixed use; 15.2% industrial; 3% multifamily housing; 0.24% land; 6.36% income-producing land.

The total property portfolio is located 6.3% in the East; 12.7% Midwest; 31.4% South; 49.6% West.

During the next year, F.I.A. will concentrate on acquisitions.

Investment products include closed-end funds and separate accounts.

The firm's F.I.A. Profile Fund I, which has four investors and more than $101 million invested, is still open. The fund primarily invests in fully built and fully leased properties, forward commitments on substantially pre-leased properties and convertible participating mortgages.

Most will be acquired for cash, but leverage may be used by taking over an existing debt.

F.I.A. Associates does not handle property management of the properties it owns.

Investment clients include Texas Teachers, California Public Employees, Utah State and Illinois Teachers.

The parent company is MeraBank.

Stephen A. Rosenthal, vice president-acquisitions is in charge of property investments. David Bonuccelli and James Sublett, senior executive vice presidents, are client contacts.

First Chicago Investment Advisors

3 First National Plaza, Chicago, Ill. 60670; (312) 732-7641

Tax-exempt real estate assets	$980 million
Equity	$980 million
Commingled or pooled funds	
Equity	$891 million
Direct, separate accounts	
Equity	$89 million
Total real estate assets	$1,025 million
Equity	$1,025 million

As of June 30, the tax-exempt equity assets of First Chicago Investment Advisors had a market value of $873 million. Contributions committed but not received were $107 million.

Of the total under management, about $45 million was for foreign clients.

The asset mix by property type is 33% office/commercial, 24% retail, 23% industrial and 20% multifamily housing. During the coming year, the firm expects to be a net buyer of industrial, retail and residential properties.

The asset mix by location is 20% North Central, 28% Northeast, 22% South Central and 30% Pacific. First Chicago expects to be a net buyer in the Northeast and North Central regions during the coming year.

The concentration during the next year will be on property management.

First Chicago offers open- and closed-end funds and separate accounts. Funds include Real Estate Fund F, an open-end, core equity fund diversified by geography and property type; and Living Environments for an Aging America Fund II, a closed-end fund that will invest in congregate housing for the elderly.

The firm handles property management for 5% of its properties.

Investment clients include Ameritech, Hershey Foods, St.Louis County Employees and Shell Oil.

The parent company is First Chicago Corp.

David A. Schwartz, vice president, is in charge of making property investments. J. William Baker, vice president, is client contact.

First RepublicBank Dallas

P.O. Box 241, Dallas, Texas 75221;(214) 922-6670

Tax-exempt real estate assets	$566 million
Equity	$480 million
Mortgages	$86 million
Commingled or pooled funds	
Equity	$92 million
Mortgages	$2 million
Direct accounts	
Equity	398 million
Mortgages	$84 million
Total real estate assets	$987 million
Equity	$898 million

The Creation of Extraordinary Value is the Result of Extraordinary Vision

- - the Rembrandt Philosophy

A profitable investment portfolio, like the great artist's work on canvas, is rarely the consequence of whim or chance. At Tomlin Properties, we have that extraordinary vision to create extraordinary value with exceptional returns through *17 years of investing in Predevelopment Land.*

"Heaven forbid that I should ever see things the way they do!"

Rembrandt worked to see what few around him saw. And he created masterpieces. At Tomlin Properties, we've created an approach that looks beyond what "conventional wisdom" might suggest. While some view land as risky business, our approach proves this is a bit short sighted. With over *eighty investments* in predevelopment land, we've seen an *average compounded annual return in excess of 40%.*

"Secret... fiddlesticks! I start with a formula, and work to prove that it is correct."

Don't misunderstand. When we speak of "vision" we're not referring to some nebulous "feeling" we get about a parcel of land. The Tomlin formula is based on *detailed research, intensive management and hard work.* Experience has been the cornerstone of our success. With a keen eye on the nation's prime growth markets, we begin with the parameters of a cautious investment clearly in focus: location of the land, and timing of the acquisition. Assessed correctly, these are the factors which *minimize risk* and maximize return. Time and time again our clients have enjoyed the fruits of this approach.

"Perhaps 400 years from now, if any of my pictures are left, they will say, 'this fellow was going in the right direction'."

Rembrandt knew that time was the ultimate test of the value of his art. Fortunately we're not looking at a 400 year waiting period, as *our average is 3.8 years.* History tells us that land has been profitable for the patient sophisticated investor. And while not all land is suitable for capital growth investments, we live in a world where predevelopment land in ideal locations is a diminishing resource. Its appreciation potential is great, while the measured risks are comparable to the most traditionally conservative portfolio components. And Tomlin investments in predevelopment land continually outperform other forms of real estate, stocks, bonds, and treasury bills. Our clients agree — *we've passed the test of time.* And the result is extraordinary value.

TOMLIN PROPERTIES, INC.
George M. Dishman, Partner
214/239-8041
5001 Spring Valley Rd., Ste. 1000E, LB10
Dallas, Texas 75244
Tlx. 735085 TOMPROP VD Fax. 7029786

Mortgages ..... $89 million

As of June 30, the tax-exempt equity assets of First RepublicBank Dallas had a market value of $480 million and the mortgages, $86 million.

For tax-exempt assets, the mix by property type is 52% office/commercial, 8% retail and 40% industrial. The firm expects to be a net buyer of industrial properties and a net seller of office properties during the coming year.

The total property portfolio is located 76% in the South Central region and 24% in the Mountain region.

During the coming year, the firm expects to be a buyer in the South Central and Mountain regions and a seller in the South Central region.

The concentration during the next year will be on property management because the firm believes it is the key to success in real estate investments.

First RepublicBank offers open-end funds, directed accounts and separate accounts. The First RepublicBank Real Estate Equity Fund, with a net asset value of about $38 million, invests in equity and participating mortgages in office, retail and industrial properties, primarily in the Southwest.

It does property management for 40% of the properties it owns.

Clients include Austin Industries, Conoco, Exxon and Cullum.

The parent company is First RepublicBank Corp.

Sam T. Kincaid II, vice president, is in charge of making property investments. David J. Pittman, senior vice president, is client contact.

First Wachovia Bank & Trust Real Estate Fund

301 N. Main St., Winston Salem, N.C. 27150; (919) 770-4169

Tax-exempt real estate assets ..	$619 million
Equity	$619 million
Commingled or pooled funds	
Equity	$407 million
Direct, separate accounts	
Equity	$212 million
Total real estate assets	$644 million

As of June 30, the tax-exempt equity assets of First Wachovia Bank & Trust Real Estate Trust Fund had a market value of $619 million.

For tax-exempt assets, the mix by property type is 4% office/commercial, 60.4% industrial and mixed use and 35.6% land.

The total property portfolio is located 28.9% in the South; 24% Midwest; 46.7% West.

The emphasis in the coming year will be on development; First Wachovia's last two purchases have been land acquisitions, which the firm will begin to develop.

The firm does property management for all of its properties.

First Wachovia offers separate accounts, and the First Wachovia Real Estate Fund, a $407 million open-end fund combining acquisition and development.

Clients include AT&T, Amp Inc., Avon Products and Piedmont Aviation.

The parent company is First Wachovia Bank & Trust.

Robert R. Smedley, senior vice president, is in charge of making property investments. Cindy Christopher, marketing consultant, is client contact.

John Hancock Properties

2 Copley Place, Suite 200, Boston, Mass. 02117; (617) 421-3639

Tax-exempt real estate assets ..	$659 million
Equity	$659 million
Commingled or pooled funds	
Equity	$659 million
Total real estate assets	$1,664 million
Equity	$1,664 million

As of June 30, the tax-exempt equity assets of John Hancock Properties Inc. had a market value of $612 million. Contributions received but not invested were $20 million; contributions committed but not received were $27 million.

For tax-exempt assets, the mix by property type is 29.9% office/commercial, 9.6% retail, 2.4% hotel/resort, 21.4% industrial, 14.2% mixed use and 22.5% multifamily housing. During the coming year, the firm expects to buy residential and office/commercial properties and to sell industrial, retail and office/commercial properties.

The total property portfolio is located 17.3% in the North Central region; 26.5% Northeast; 19.7% South Central; 10.3% Southeast; 14.2% Mountain; and 12% Pacific.

John Hancock expects to buy in the North Central, Northeast, Pacific and South Central regions and sell in the South Central, North Central and Mountain regions during the coming year.

The concentration during the next year will be on property management to maximize values of existing portfolio properties.

John Hancock offers open and closed-end commingled funds, limited partnerships and direct investments. Its open-end fund, Equity Real Estate Account (ERA) is being restructured. It does property management for 10% of the properties it owns. Investment clients include The World Bank, Detroit Retirement and Connecticut.

The parent company is John Hancock Financial Services. Its subsidiary is John Hancock Realty Services.

Kevin McGuire, president, is in charge of making property investments. Ronald L. Garner, senior real estate investment officer, is client contact.

Heitman Advisory Corp.

180 N. LaSalle St., Chicago, Ill. 60601; (312) 855-5700

Tax-exempt real estate assets .	$3,993 million
Equity	$3,993 million
Commingled or pooled funds	
Equity	$668 million
Direct, separate accounts	
Equity	$3,325 million
Total real estate assets	$4,265 million
Equity	$4,265 million

As of June 30, the tax-exempt equity assets of Heitman Advisory Corp. had a market value of $2.794 billion. Contributions committed but not received were $1.199 billion.

Of the total under management, $336 million was for foreign clients, of which $321 million was for foreign pension funds.

For tax-exempt assets, the mix by property type is 38% office/commercial, 26% retail, 11% industrial and 25% mixed use. For taxable accounts, Heitman uses higher leverage and might include hotels.

The firm expects to be a net buyer of regional shopping centers, office buildings and industrial parks.

The total property portfolio is located 50% in the North Central region; 11%, Northeast; 8%, South Central; 5%, Southeast; and 26%, Pacific. The firm expects to be a net buyer in each of those regions.

Heitman offers closed-end funds and separate accounts. Its two funds still accepting subscriptions are Heitman Real Estate Funds III and IV, which will purchase a geographically diversified portfolio of between eight and 12 income-producing properties, including shopping centers, office buildings and industrial parks.

Heitman handles its own property

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management for 67% of its properties; its joint venture partner provides property management for 33%.

Investment clients include AT&T, Southwestern Bell, NYNEX and Alaska Permanent.

The parent company is Heitman Financial Ltd.; subsidiaries are Heitman Financial Services Ltd. and Heitman Properties Ltd.

Norman Perlmutter, chairman of the board-Heitman Financial Ltd., is in charge of property investments. David Glickman, president-Heitman Advisory Corp., is client contact.

JMB Institutional Realty

875 N. Michigan Ave., Chicago, Ill. 60611; (312) 915-1900

Tax-exempt real estate assets	$2,293 million
Equity	$2,293 million
Commingled or pooled funds	
Equity	$2,277 million
Direct, separate accounts	
Equity	$16 million
Total real estate assets	$16,769 million
Equity	$16,164 million
Hybrid debt	$237 million
Mortgages	$368 million

As of June 30, the tax-exempt equity assets of JMB institutional Realty Corp. had a market value of $1.8 billion. Contributions received but not invested were $60 million; contributions committed but not received were $433 million.

For tax-exempt assets, the mix by property type is 43% office/commercial, 56% retail and 1% multifamily housing. For taxable investors, the emphasis in prior years has been greater investment in apartments and mixed-use projects.

The firm expects to be a net buyer of retail, apartments and offices.

The concentration during the next year will be on property management because intensive property management during the holding periods is the key to successful management of commingled funds.

JMB does property management for 63% of the properties it owns.

The firm offers closed-end funds and separate accounts. JMB Group Trust IV, with a market value of $412 million, will invest in a diversified portfolio of seven to 12 strategically selected and intensively managed income properties, primarily shopping centers and office buildings.

JMB Institutional Apartment Partnership I, with a market value of $145 million, will make equity investments in eight or more apartment properties nationwide.

Investment clients include Pennsylvania Employees, Xerox, Inland Steel and Alaska Employees.

Jerome J. Claeys III, chairman, is in charge of making property investments. John S. Lillard, president, is client contact.

Jones Lang Wootton Realty Advisors

101 E. 52nd St., New York, N.Y. 10022; (212) 688-8181

Tax-exempt real estate assets	$1,000 million
Equity	$800 million
Hybrid debt	$200 million
Direct, separate accounts	
Equity	$800 million
Hybrid debt	200 million
Total real estate assets	$1,700 million
Equity	$1,500 million
Hybrid debt	$200 million

As of June 30, the tax-exempt equity assets of Jones Lang Wootton Realty Advisors had a market value of $400 million. Contributions received but not invested were $100 million; contributions committed but not received were $300 million.

The hybrid debt holdings had a market value of $200 million.

Of the total under management, $700 million was for foreign clients, including $350 million for foreign pension funds.

For tax-exempt assets, the mix by property type is 60% office/commercial, 20% retail, 10% hotel/resort and 10% industrial.

Taxable clients — principally offshore institutional investors — are generally interested in 100% purchases of landmark office buildings in four cities.

The firm expects to be a net buyer of industrial, shopping centers, office, hotel and multifamily properties.

The total property portfolio is located 5% in the North Central region, 60% Northeast, 10% South Central, 5% Southeast and 20% Pacific.

Jones Lang Wootton Realty expects to be a net buyer in the Northeast, Pacific and North Central regions.

The concentration during the next year will be on property management because poor space markets nationwide demand it.

The firm offers separate accounts only. It handles property management for 65% of the properties it owns.

Clients include U S WEST, Pacific Telesis, Pennsylvania Public Schools.

John A. Weisz, Stephen J. Furnary and Frank L. Sullivan Jr., principals, are in charge of making property investments. Mr. Weisz is client contact.

Top 10 real estate managers ranked by tax-exempt assets in real estate equity

Firm	$ millions
Equitable Real Estate Investment	6,365
Prudential Realty Group	5,476
Heitman Advisory	3,993
Copley Real Estate Advisors	3,870
RREEF	2,984
Aetna Life & Casualty	2,937
Corporate Property Investors	2,400
JMB Institutional Realty	2,293
LaSalle Advisors	1,904
Eastdil Realty	1,570
Total	33,792

Karsten Realty Advisors

12121 Wilshire Blvd., Suite 900, Los Angeles, Calif. 90025; (213) 826-0035

Tax-exempt real estate assets	$586 million
Equity	$373 million
Hybrid debt	$67 million
Mortgages	$146 million
Commingled or pooled funds	
Equity	$23 million
Hybrid debt	$18 million
Direct, separate accounts	
Equity	$350 million
Hybrid debt	$49 million
Mortgages	$146 million
Total real estate assets	$854 million
Equity	$641 million
Hybrid debt	$67 million
Mortgages	$146 million

As of June 30, the tax-exempt equity assets of Karsten Realty Advisors had a market value of $373 million; the hybrid debt, $67 million; mortgages, $146 million.

For tax-exempt assets, the mix by property type is 48% office/commercial, 15% retail, 16% hotel/resort, 13% industrial, 5% land and 3% special use. Karsten expects to be a net buyer and seller of office, retail, industrial/research and development and special use properties.

The total portfolio's mix by location is 1% North Central, 21% South Central, 36% Southeast, 2% Mountain and 40% Pacific. The firm expects to be a buyer in the Pacific, South Central and Mountain regions, and a seller in the South Central and Southeast regions.

Its emphasis during the next year will be on property management in preparation for property dispositions.

Karsten Realty Advisors offers direct separate accounts.

The firm property manages 50% of the properties it owns.

Investment clients include Ohio Teachers, Nevada Employees, LTV and Lockheed.

First Interstate Bancorp is the parent company.

A. Redmond Doms Jr., managing principal, is in charge of making property investments. John M. Lundsten and Hugh G. Hilton, principals, are client contacts.

Kennedy Associates Real Estate Counsel Inc.

2400 Financial Center Building, Seattle, Wash. 98161; (206) 623-4739

Tax-exempt real estate assets	$718 million
Equity	$411 million
Hybrid debt	$264 million
Mortgages	$43 million
Commingled or pooled funds	
Equity	$241 million
Hybrid debt	$143 million
Direct, separate accounts	
Equity	$170 million
Hybrid debt	$121 million
Mortgages	$43 million
Total real estate assets	$718 million

As of June 30, the tax-exempt equity assets of Kennedy Associates Real Estate Counsel Inc. had a market value of $293 million. Contributions committed but not received were $118 million.

The hybrid debt holdings had a market value of $180 million. Contributions committed but not received were $84 million. The market value of the mortgages was $43 million.

The asset mix by property type is 52% office/commercial, 7% retail, 1% hotel/resort, 1% mixed use, 13% industrial and 26% business parks.

The firm expects to be a net buyer of industrial/distribution, service center, office and suburban properties in the next year.

The total property portfolio is located 42% in the West; 8%, South; 33%, Midwest; and 17%, East.

The concentration during the next year will be on acquisition.

Kennedy Associates offers the Multi-Employer Property Trust, an open-end fund with $383 million in hand; $149 million committed; and $234 million invested. MEPT utilizes equity ownership, hybrid debt/equity and sale/leasebacks. The firm also offers direct separate accounts and real estate investment consulting.

Clients include Alaska Permanent, Boeing, International Brotherhood of Painters and Allied Trades Union.

Jim C. Snyder, president, is in charge of making property investments and is the client contact.

LaSalle Advisors Ltd.

11 S. LaSalle St., Chicago, Ill. 60603; (312) 782-5800

Tax-exempt real estate assets	$1,903 million
Equity	$1,903 million
Commingled or pooled funds	
Equity	$1,626 million
Direct, separate accounts	
Equity	$277 million
Total real estate assets	$1,903 million

All of LaSalle Advisors Ltd.'s assets are tax exempt and are invested in equity real estate.

As of June 30, the assets had a market value of $1.441 billion. Contributions received but not invested were $47 million; contributions committed but not received were $415 million.

The asset mix by property type is 57% office/commercial; 30% retail; and 13% industrial.

During the next year, LaSalle expects to be a net buyer of industrial, office and retail properties.

The total property portfolio is 33% in the North Central region; 18% Northeast; 9% South Central; 24% Southeast; and 16% Pacific.

It plans to be a net buyer in the Northeast, Pacific, Southeast, North Central, Mountain and South Central regions.

The firm offers LaSalle Fund III, a closed-end fund that will purchase larger, high-quality office, shopping and industrial properties. It also does separate account management.

The firm does property management for 95% of the property it owns. Of its property management business, 40% is for outside clients.

Investment clients include Illinois Municipal, Public Service Electric & Gas, Bell Atlantic and Pacific Telesis.

The parent company is LaSalle Partners Ltd.

Kenneth M. Campia, president, is in charge of property investments. Client contacts are vice presidents Christopher J. Burke (Midwest), Hugh E. Reams Jr. (Southeast), Steven L. Wagner (East) and William N. Thompson (West).

Latimer & Buck Inc.

121 S. Broad St., Philadelphia, Pa. 19107; (215) 985-3954

Tax-exempt real estate assets	$1,243 million
Hybrid debt	$597 million
Mortgages	$646 million
Direct, separate accounts	
Hybrid debt	$597 million
Mortgages	$646 million
Total real estate assets	$1,243 million

As of June 30, the tax-exempt hybrid

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debt holdings of Latimer & Buck Inc. had a market value of $551 million. Contributions committed but not received were $46 million. The market value of the mortgages was $608 million. Contributions committed but not received were $37 million.

The mix by property type is 43% office/commercial, 4% retail, 3% hotel/resort, 16% multifamily housing, 7% industrial and 27% single-family residential.

The property mix by location is 10% in the North Central region; 78%, Northeast; 3%, South Central; 5%, Southeast; and 4%, Pacific.

The concentration during the next year will be on acquisition of mortgages.

Latimer & Buck offers direct, separate accounts.

Clients include Pennsylvania School Employees and Pennsylvania State Employees.

The parent company is Fidelity Bank.

Richard J. Humphreys, vice president, is in charge of making property investments and is the client contact.

Lehndorff & Babson Real Estate Counsel

2501 Cedar Springs, Dallas, Texas 75201; (214) 855-5600

Tax-exempt real estate assets	$845 million
Equity	$845 million
Commingled or pooled funds	
Equity	$75 million
Direct, separate accounts	
Equity	$770 million
Total real estate assets	$1,962 million
Equity	$1,962 million

As of June 30, the tax-exempt equity assets of Lehndorff & Babson Real Estate Counsel had a market value of $503 million. Contributions received but not invested were $17 million; contributions committed but not received were $325 million.

Of the total under management, $1.095 billion was for foreign clients, including $179 million for foreign pension funds.

For tax-exempt assets, the mix by property type is 56% office/commercial, 40% retail and 4% mixed use.

The firm expects to be a net buyer of retail, office and industrial properties.

The total property portfolio is located 10% in the Northeast; 30%, South Central; 22%, Southeast; 10%, Mountain; and 28%, Pacific.

Lehndorff & Babson expects to be a net buyer in the West and the East.

The concentration during the next year will be on acquisition because of the attractive opportunities.

Lehndroff & Babson offers closed-end funds and direct separate accounts. The Lehndorff & Babson Property Fund III is a closed-end group trust that will invest in scarce, built and leased properties, typically shopping centers or office buildings, that have the opportunity for enhancement of value. The Lehndorff & Babson Retail Property Fund is a closed-end limited partnership that will invest in regional malls and other substantial retail properties in prominent U.S. metropolitan areas, where land is adequate to support expansion.

It does property management for 90% of the properties it owns.

Investment clients include Ameritech, California Teachers, Eastman Kodak and United Technologies.

M. Thomas Lardner, chairman, general manager and chief investment officer, is in charge of making property investments. James S. White, executive vice president, is client contact.

The Lomas & Nettleton Advisory Group Inc.

2001 Bryan Tower, Suite 3900, Dallas, Texas 75201; (214) 746-7111

Tax-exempt real estate assets	$664 million
Hybrid debt	$501 million
Mortgages	$163 million
Commingled or pooled funds	
Hybrid debt	$54 million
Direct, separate accounts	
Hybrid debt	$447 million
Mortgages	$163 million
Total real estate assets	$664 million

As of June 30, the hybrid debt holdings of The Lomas & Nettleton Advisory Group Inc. had a market value of $323 million. Contributions received but not invested were $3 million; contributions committed but not received were $175 million.

The market value of the mortgages was $163 million.

The mix by property type is 68.68% office/commercial, 7.9% retail and 23.42% industrial.

The firm expects to be a net buyer of office and apartment properties.

The total property portfolio is located 22.66% in the North Central region; 63.82% South Central; 0.78% Southeast; 7.11% Mountain; and 5.63% non-U.S.

Lomas & Nettleton expects to be a net buyer in the North Central and Northeast regions.

The concentration during the next year will be on financing because of the favorable market.

Lomas & Nettleton offers closed-end funds, separate account management and REITs.

Clients include Texas Teachers, city of Boston, Leland Stanford Jr. University and Barnett Banks.

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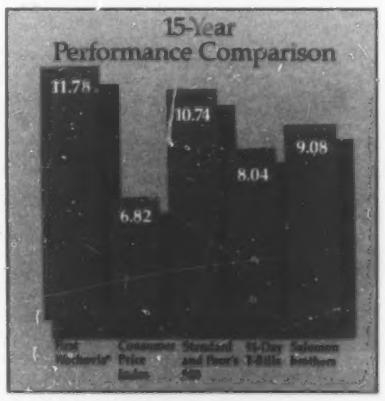

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The parent company is Lomas & Nettleton Co. Its subsidiaries are Lomas Mortgage Corp., Lomas & Nettleton Mortgage Investors and L&N Housing Corp.

David A. Ridley, executive vice president, is in charge of making property investments and is client contact.

McMahan Real Estate Services Inc.

201 California St., Suite 400, San Francisco, Calif. 94111; (415) 433-7770

Tax-exempt real estate assets	$383 million
Equity	$301 million
Hybrid debt	$82 million
Commingled or pooled funds	
Equity	$50 million
Hybrid debt	$9 million
Direct, separate accounts	
Equity	$251 million
Hybrid debt	$73 million
Total real estate assets	$400 million
Equity	$318 million
Hybrid debt	$82 million

As of June 30, the tax-exempt equity assets of McMahan Real Estate Services, Inc. had a market value of $128 million. Contributions committed but not received were $173 million.

The hybrid debt holdings had a market value of $36 million. Contributions committed but not received were $46 million.

Of the total under management, $17 million was for foreign clients.

For tax-exempt assets, the mix by property type is 62% office/commercial; 27% retail; and 11% industrial.

The firm expects to be a net buyer of retail, office and industrial properties.

The total property portfolio is located 17% South Central; 10% Mountain; and 73% Pacific. The firm expects to be a net buyer in all three regions.

The concentration during the next year will be on property management because of difficulty in managing in soft markets.

McMahan Real Estate Services offers separately managed accounts and closed-end pooled funds.

McMahan Equity Real Estate Fund-II (MEREF-II) has $22 million in commitments and is accepting subscriptions. The fund acquires equity and quasi-equity interests in well-diversified portfolios of high-quality, income-producing properties.

McMahan does property management for 20% of the properties it owns.

Investment clients include Southwestern Bell, Contra Costa Employees and Western Airlines Pilots.

The parent company is McMahan Financial Services Inc.

Steven M. Brabant, senior vice president, is in charge of making property investments. Frank C. Harding Jr. and Jean C. Hurley, vice presidents, are client contacts.

McMorgan & Co.

201 Spear St., No. 1700, San Francisco, Calif. 94105; (415) 777-9300

Tax-exempt real estate assets	$1,300 million
Equity	$300 million
Mortgages	$1,000 million
Direct, separate accounts	
Equity	$300 million
Mortgages	$1,000 million
Total real estate assets	$1,300 million

As of June 30, the tax-exempt equity assets of McMorgan & Co. had a market value of $300 million; mortgages, $1 billion.

The mix by property type is 10% office/commercial, 10% retail, 1% hotel/resort, 1% mixed use, 5% industrial, 5% multifamily housing and 68% residential.

The firm expects to be a net buyer of office, industrial and retail properties.

The total property portfolio is located in the Pacific region. McMorgan & Co. expects to be a net buyer in the Pacific, Mountain and Southeast regions.

The concentration during the next year will be on acquisition because of the excellent opportunities for prime properties.

McMorgan & Co. offers separate and direct accounts.

Michael T. Fry, executive vice president, is in charge of making property investments. William O. Sumner is client contact.

Mellon Real Estate Investment Management

551 Madison Ave., New York, N.Y. 10022; (212) 702-4040

Tax-exempt real estate assets	$1,100 million
Equity	$500 million
Hybrid debt	$370 million
Mortgages	$230 million
Direct, separate accounts	
Equity	$500 million
Hybrid debt	$370 million
Mortgages	$230 million
Total real estate assets	$1,100 million

As of June 30, the tax-exempt equity assets of Mellon Real Estate Investment Management Corp. had a market value of $413 million. Contributions committed but not received were $87 million.

The hybrid debt holdings had a market value of $298 million; contributions committed but not received were $72 million. The market value of the mortgages was $210 million; contributions committed but not received were $20 million.

Of the total under management, $31 million was for foreign clients.

For tax-exempt assets, the mix by property type is 64.15% office/commercial, 5.68% retail, 26.42% industrial and 3.77% mixed use.

The firm expects to be a net buyer of shopping centers, research/development facilities and office buildings.

The total property portfolio is located 20.3% in the East; 17.1% South; 36.9% Midwest; and 25.7% West. The firm expects to be a net buyer in the Northeast and Midwest and a net seller in California because of the cost of earthquake insurance.

The concentration during the next year will be on acquisition and property management, the latter because overbuilt markets have forced emphasis on property/asset management.

The firm offers direct separate accounts.

It does property management for 17.55% of the single financial properties it owns.

Investment clients include Westinghouse, Bell Atlantic and Detroit Retirement System.

The parent company is Mellon Bank Corp. A subsidiary is Mellon Participating Mortgage Trust.

Arlen R. Dahlquist, senior vice president, is in charge of making property investments. Karen E. Shewer, vice president, is client contact.

L.J. Melody & Co.

5847 San Felipe, Suite 4400, Houston, Texas 77057; (713) 787-1900

Tax-exempt real estate assets	$815 million
Hybrid debt	$483 million
Mortgages	$332 million
Direct, separate accounts	
Hybrid debt	$483 million
Mortgages	$332 million
Total real estate assets	$2,254 million
Hybrid debt	$802 million
Mortgages	$1,452 million

As of June 30, the hybrid debt holdings of L.J. Melody & Co. had a market value of $368 million. Contributions committed but not received were $115 million. The market value of the mortgages was $290 million. Contributions committed but not received were $42 million.

For tax-exempt assets, the mix by property type is 46% office/commercial, 34% retail, 3% mixed use, 7% industrial and 10% multifamily housing.

For taxable assets, the firm emphasizes hotel investments.

The firm expects to be a net buyer of multifamily, industrial and retail properties.

The total property portfolio is located 3.5% in the North Central region; 5.5% Northeast; 56% South Central; 10% Southeast; 10% Mountain; and 15% Pacific.

L.J. Melody expects to be a net buyer in the Pacific, Northeast, South Central and Southeast regions.

The concentration during the next year will be on acquisition because there are regions with certain property types that possess attractive opportunities.

The firm offers separate accounts.

Clients include Texas Teachers.

Lawrence J. Melody, president, is in charge of making property investments. Robert D. Barkley, vice president, is client contact.

Top 10 real estate managers ranked by tax-exempt assets in mortgages

Firm	$ millions
McMorgan	1,000
Latimer & Buck	646
Equitable Real Estate Investment	369
August-Am Cal Advisors	355
Wells Fargo Realty Advisors	347
L.J. Melody	332
Union Labor Life Insurance	324
Scudder Realty Advisors	293
Eastdil Realty	274
Fayez Sarofim	253
Total	4,193

Metropolitan Life Insurance

1 Madison Ave., New York, N.Y. 10010; (212) 578-8637

Tax-exempt real estate assets	$865 million
Equity	$599 million
Mortgages	$66 million
Commingled or pooled funds	
Equity	$574 million
Mortgages	$66 million
Direct, separate accounts	
Equity	$25 million
Total real estate assets	$19,200 million
Equity	$6,500 million
Mortgages	$12,700 million

As of June 30, the tax-exempt equity assets of Metropolitan Life Insurance Co. had a market value of $534 million. Contributions received but not invested were $45 million; contributions committed but not received were $20 million.

The market value of the mortgages was $66 million.

For tax-exempt assets, the mix by property type is 54% office/commercial; 19% retail; 4% hotel/resort; 1% mixed use; 10% industrial; 1% land; and 11% research and development.

The firm expects to be a net buyer of retail, office, apartment and warehouse properties.

The total property portfolio is located 18% in the East; 19% Central; 15% South; 11% Southeast; 31% West; 6% Southwest.

Metropolitan Life expects to be a net buyer in the Central, Southeast and East regions.

The concentration during the next year will be on property management first because plans to recognize short-term profits, the firm plans to improve existing properties. The firm plans to concentrate on acquisitions second because many good investment opportunities are available.

Metropolitan Life offers open- and closed-end funds, separate accounts and guaranteed real estate contracts.

Account RE, an open-end fund, has $240 million in assets. It invests in high-quality existing and leased properties of $30 million or more, with an emphasis on R&D/industrial, regional malls and office buildings. Tower Fund, an open-end fund with $167 million, invests in wholly owned properties of $5 million to $15 million. Purchases are concentrated on fully built and leased properties.

Closed-End III, which is open for subscription, has $20 million committed. The Guaranteed Real Estate Contract, which is designed for non-ERISA plans, requires a minimum investment of $500,000; subscriptions are still open.

Investment clients include American Can, Crown Zellerbach, IT&T and M&T Chemicals.

Subsidiaries are Metmor Financial, Cross & Brown, Century 21, Met First Financial and Farmers National.

Principals are in charge of making property investments. Bruce Kosakowski, national director, is client contact.

MIG Realty Advisors Inc., Mortgage Investors Group

1645 Palm Beach Lakes Blvd., Suite 600, West Palm Beach, Fla. 33401; (305) 686-1800

Tax-exempt real estate assets	$439 million
Equity	$186 million
Hybrid debt	$128 million
Mortgages	$125 million
Commingled or pooled funds	
Equity	$186 million
Hybrid debt	$3 million

1986 16.67%*
Three years 17.20%*
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Direct, separate accounts	
Hybrid debt	$125 million
Mortgages	$125 million
Total real estate assets	$439 million

As of June 30, the tax-exempt equity assets of MIG Advisors Inc., Mortgage Investors Group Ltd., had a market value of $90 million. Contributions received but not invested were $15 million; contributions committed but not received were $81 million.

The hybrid debt holdings had a market value of $89 million. Contributions committed but not received were $39 million. The market value of the mortgages was $47 million. Contributions committed but not received were $78 million.

The mix by property type is 38% office/commercial; 37% retail; 16% industrial; and 9% multifamily housing.

The firm expects to be a buyer of retail, industrial, multifamily and office/commercial properties and a seller of retail and industrial properties.

The mix by location is 29% in the North Central region; 5% Northeast; 1% South Central; 53% Southeast; 1% Mountain; and 11% Pacific. MIG expects to be a buyer in the Northeast, Southeast, Mountain and Pacific regions and a seller in the Northeast and Southeast.

The concentration during the next year will be on acquisition.

MIG offers direct investments and closed-end funds. Mortgage Investors Fund II Limited Partnership has $71.9 million committed and $1.2 million in assets. It will make equity and participating mortgage investments.

The firm does not handle property management.

Investment clients include the Detroit Policemen and Firemen, City of Detroit, Oakland County Employees and City of Philadelphia.

Larry E. Wright, executive vice president, is in charge of making property investments. Edwin B. Wayman, president, is client contact.

J.P. Morgan Investment Management Inc.

522 Fifth Ave., New York, N.Y. 10036; (212) 837-1255

Tax-exempt real estate assets	$1,353 million
Equity	$611 million
Hybrid debt	$742 million
Commingled or pooled funds	
Equity	$611 million
Hybrid debt	$619 million
Direct, separate accounts	
Hybrid debt	$123 million
Total real estate assets	$1,743 million
Equity	$757 million
Hybrid debt	$841 million
Other	$145 million

As of June 30, the tax-exempt equity assets of J.P. Morgan Investment Management Inc. had a market value of $215 million. Contributions received but not invested were $188 million; contributions committed but not received were $208 million. The hybrid debt holdings had a market value of $742 million.

Of the total under management, $390 million was for foreign clients.

For tax-exempt assets, the mix by property type is 51% office/commercial, 39% retail, 2% hotel/resort and 8% industrial.

It expects to be net buyers of industrial, office and retail properties.

The total property portfolio is located 14% in the North Central region; 59% Northeast; 7% South Central; 17% Southeast; 2% Mountain; 1% Pacific states.

J.P. Morgan expects to be a net buyer nationwide.

The concentration during the next year will be on acquisition and property management.

J.P. Morgan offers an open-end real estate fund and direct separate accounts. The Real Estate Fund has a net asset value of $1.021 billion, with $833 million invested and commitments of $208 million. The fund primarily invests in urban and suburban office buildings, regional shopping centers and industrial/research and development buildings. It also invests in developmental properties, renovation and acquisition of existing properties.

The parent company is J.P. Morgan Inc.

Timothy J. Heise, managing director, is in charge of making property investments and is client contact.

NCNB National Bank

1 NCNB Plaza, Charlotte, N.C. 28255;(704) 374-8405

Tax-exempt real estate assets	$562 million
Equity	$372 million
Hybrid debt	$111 million
Cash	$79 million
Commingled or pooled funds	
Equity	$164 million
Hybrid debt	$99 million
Cash	$67 million
Direct, separate accounts	
Equity	$208 million
Hybrid debt	$12 million
Cash	$12 million
Total real estate assets	$762 million
Equity	$572 million
Hybrid debt	$111 million
Cash	$79 million

As of June 30, the tax-exempt equity assets of NCNB National Bank had a market value of $372 million; the hybrid debt, $111 million; and mortgages, $79 million.

For tax-exempt assets, the mix by property type is 10% office/commer-

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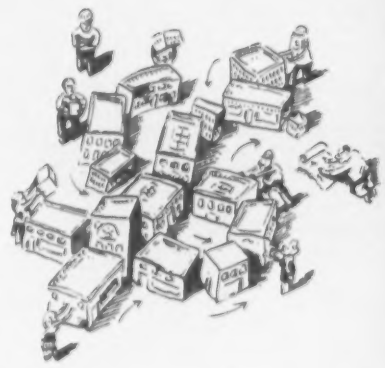

National Property Advisors

Balcor Institutional Realty Advisors: Portfolio Strategies

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The Balcor Company recently arranged an all-cash purchase of the 1275 K Street office building in the Franklin Park district of Washington, D.C., as a joint venture between two of its investment partnerships.

This submarket is on the fringe of the downtown office market and investments in this area have generally been considered pioneering. Balcor assessed the risk and potential return, analyzed the forces at work in the area and concluded that this building could meet the objectives of its investors.

The experience and expertise of Balcor in analyzing and placing real estate investments is available directly to institutional investors through Balcor Institutional Realty Advisors, Inc.

For more information on *Balcor Institutional Realty Advisors, Inc.*, and how we may be able to help fine-tune your real estate investment policies and guidelines, call John West, President, at 312/676-6980.

Smart Thinking in Real Estate

Balcor

Balcor Institutional Realty Advisors, Inc. 4849 Golf Road Skokie, Illinois 60077

cial, 29% industrial, 6% multifamily housing, 41% land. Another 14% of assets are in cash.

The firm expects to be a net buyer of office/business park properties.

The total property portfolio is located 96% in the Southeast and 4% outside the United States.

NCNB expects to be a net buyer in the Southeast during the coming year.

The concentration during the next year will be on acquisition/development due to above average investment opportunities in the Southeast.

NCNB offers open- and closed-end funds and separate accounts. NCNB Real Estate Fund, with $301 million, is an open-end fund that buys income-producing property and development land in the Southeast.

The firm hires Charter Properties, Carolantic Realty and Adams/Cates for property management.

Investment clients include Ohio Schools, Volvo-White, Publix and TWA.

The parent company is NCNB Corp. Floyd T. Boyce, senior vice president, is in charge of making property investments. Mark S. Coltrin, vice president, is client contact.

J.W. O'Connor & Co. Inc.

200 Park Ave., New York, N.Y. 10166; (212) 687-7420

Tax-exempt real estate assets	$683 million
Equity	$604 million
Hybrid debt	$79 million
Commingled or pooled funds	
Equity	$260 million
Direct, separate accounts	
Equity	$344 million
Hybrid debt	$79 million
Total real estate assets	$743 million
Equity	$664 million
Hybrid debt	$79 million

As of June 30, the tax-exempt equity assets of J.W. O'Connor & Co. Inc. had a market value of $300 million. Contributions committed but not received were $304 million.

The hybrid debt holdings had a market value of $79 million.

Of the total under management, $14 million was for foreign pension funds.

The mix by property type is 10% office/commercial, 75% retail and 15% industrial.

The firm expects to be a net buyer of regional shopping centers, office and industrial properties.

The mix by region is 40% North Central; 25% South Central; and 35% Southeast.

The concentration during the next year will be on property management because relative yields on expansions and renovations are attractive when compared with acquisitions.

J.W. O'Connor offers closed-end funds and direct separate accounts to tax-exempt clients.

It does property management for 50% of the properties it owns.

Investment clients include AT&T and Kansas Employees.

Its subsidiaries are O'Connor Realty Advisors and O'Connor Management Inc.

J.W. O'Connor Jr., chairman of the board and president, is in charge of making property investments. Nancy I. Lashine, vice president, is client contact.

The Phoenix

1 American Row, Hartford, Conn. 06115; (203) 275-5658

Tax-exempt real estate assets	$472 million
Equity	$123 million
Hybrid debt	$131 million
Mortgages	$218 million
Commingled or pooled funds	
Equity	$123 million
Hybrid debt	$131 million
Direct, separate accounts	
Mortgages	$218 million
Total real estate assets	$2,080 million
Equity	$406 million
Hybrid debt	$216 million
Mortgages	$1,428 million
Cash	$30 million

As of June 30, the tax-exempt equity assets of The Phoenix had a market value of $98 million. Contributions received but not invested were $25 million.

The hybrid debt holdings had a market value of $131 million, and mortgages, $218 million.

For tax-exempt assets, the mix by property type is 50% office/commercial; 11% retail; 18% industrial; and 21% multifamily housing.

The firm expects to be a net buyer of office/industrial, retail, residential and office. Properties that have matured to the point where sales value has reached expectations will be sold.

The total property portfolio is located 30% in the North Central region; 3% Northeast; 10% South Central; 26% Southeast; and 31% Pacific.

The concentration during the next year will be on acquisition because new cash will be invested.

The Phoenix offers an open-end real estate account (RESA), which invests in developmental properties and has a net value of $207 million; a closed-end real estate account (CEREA I), which invests in developmental properties and has $30 million committed; and individual separate accounts.

Investment clients include Armstrong Rubber, Virginia, Goya Foods and Connecticut.

The parent company is Phoenix Mutual Life Insurance Co. Its subsidiaries are Phoenix Founders and Phoenix Realty Management Inc.

Teresa A. Clements and Charles W. McMullin are in charge of making property investments. Kathy Addis is client contact.

PMRealty Advisors Inc.

800 Newport Center Drive, Suite 300, Newport Beach, Calif. 92660; (714) 721-5000

Tax-exempt real estate assets	$335 million
Equity	$335 million
Commingled or pooled funds	
Equity	$135 million
Direct, separate accounts	
Equity	$200 million
Total real estate assets	$661 million
Equity	661 million

As of June 30, the tax-exempt equity assets of PMRealty Advisors Inc. had a market value of $154 million. Contributions received but not invested were $9 million; contributions committed but not received were $172 million.

For tax-exempt assets, the mix by property type is 29% office/commercial, 30% retail and 41% industrial.

The firm expects to be a net buyer of neighborhood shopping centers and multitenant industrial/distribution facilities.

The concentration during the next year will be on acquisition to complete portfolios for some funds and property management.

PMRealty offers closed-end funds and individually managed accounts. PMRA III, a closed-end fund, has $27 million so far. It will invest in retail and industrial properties in high-growth corridors of major U.S. metropolitan areas.

The firm does property management for 50% of the properties it owns. It hires Coldwell Banker, CBS Property, Centra Group, Collins and R.J.Hallissey for other property management.

Investment clients include Nevada Employees, Hewlett-Packard, Kaiser Aluminum & Chemical and Boise Cascade.

The parent company is Pacific Mutual Life Insurance Co.

James G. McWalters, managing director, is in charge of making property investments. Pete Hammer, managing director, is client contact.

Property Capital Associates

200 Clarendon St., Boston, Mass. 02116; (617) 536-8600

Tax-exempt real estate assets	$744 million
Equity	$744 million
Commingled or pooled funds	
Equity	$659 million
Direct, separate accounts	
Equity	$85 million
Total real estate assets	$744 million

As of June 30, the equity assets of Property Capital Associates had a market value of $599 million. Contributions committed but not received were $185 million.

Of the total under management, $15 million was for foreign clients; $10 million of that for foreign pension funds.

The mix by property type is 36% office/commercial; 17% retail; 27% hotel/resort; 7% industrial; and 13% multifamily housing.

The mix by geographical region is 40% North Central; 20% Northeast; 5% South Central; 5% Southeast; 10% Mountain; and 20% Pacific.

The concentration during the next year will be on acquisition because of difficulty in finding properties that meet the investment criteria.

The firm offers closed-end funds, separate account management and real estate investment trusts.

Outside property management is handled by joint venture-developer partners.

Investment clients include Allied Signal, Eastman Kodak, Harvard University and The World Bank.

Anthony D. Fox, director, is in charge of making property investments. Thomas J. Mizo, vice president, is client contact.

The Prudential Realty Group

3 Prudential Plaza, Newark, N.J. 07101; (201) 877-7544

Tax-exempt real estate assets	$5,709 million
Equity	$5,476 million
Mortgages	$233 million
Commingled or pooled funds	
Equity	$5,476 million
Mortgages	$233 million
Total real estate assets	$33,937 million
Equity	$9,601 million
Hybrid debt	$5,293 million
Mortgages	$19,043 million

As of June 30, the tax-exempt equity assets of The Prudential Realty Group had a market value of $5,333 million. Contributions committed but not received were $143 million.

The market value of the mortgages was $156 million. Contributions received but not invested were $77 million.

Of the total under management, $374 million was for foreign clients.

For tax-exempt assets, the mix by property type is 51.9% office/commercial, 17.1% retail, 8.4% hotel/resort, 15.8% industrial, 4.8% multifamily housing and 2% land and agriculture.

For taxable assets, there is a higher percentage of agricultural properties and more property development.

The general account portfolio is located 23.5% in the East; 20.8% Midwest; 21.1% South; 31.8% West; and 2.8% Canada. The separate account portfolio is located 32.7% in the East; 14.9% Midwest; 18.7% South; and 33.7% West.

The Prudential Realty Group, through its marketing partner, Prudential Asset management Co., offers the $4.4 billion PRISA, $459 million PRISA II and $214 million PRISA III open-end real estate separate accounts, and the $82 million PRIMOR and $75 million MORISA open-end participating mortgage separate accounts. The $77 million Union Mortgage account is the newest open-end separate account, which invests in loans on properties built or improved with union labor.

Direct investment in properties also is offered through the Realty Group.

Prudential does property management for 7% of the properties it owns for the general account and 3% for the separate account; Property Management Systems, LaSalle Property Management and Rubloff Property Management are frequently used to manage the remaining properties.

Clients include Campbell Soup, Exxon, Lenox and Sun Co.

The parent company is Prudential Insurance Co. of America. Its subsidiaries include Prudential Realty Advisors Inc. and The Prudential Property Co.

Claude Zinngrabe, executive vice president, is in charge of making property investments. Christine N. Brownlie, director, Prudential Asset Management Co., is client contact.

PSI Institutional Realty

1015 Grandview Ave., Glendale, Calif. 91201; (818) 244-8080

Tax-exempt real estate assets	$555 million
Equity	$555 million
Commingled or pooled funds	
Equity	$486 million
Direct, separate accounts	
Equity	$69 million
Total real estate assets	$2,200 million
Equity	$2,200 million

As of June 30, the tax-exempt equity assets of PSI Institutional Realty, a division of Public Storage Inc., had a market value of $380 million. Contributions received but not invested were $92 million; contributions committed but not received were $83 million.

Of the total under management, $182 million was for foreign clients.

All tax-exempt assets are in mini-warehouses. Taxable assets are invested in mini-warehouses and the development of business parks.

The firm expects to be a net buyer of mini-warehouses and business parks.

The total property portfolio is located 13% in the North Central region; 9% Northeast; 16% South Central; 17% Southeast; 6% Mountain; 37% Pacific; and 2% non-U.S properties.

PSI expects to be a net buyer in the Northeast, Pacific, North Central and Southeast regions.

The concentration during the next year will be on property management because the firm believes its system, which operates facilities in a standard fashion and employs innovative techniques, is the key to providing superior returns.

PSI offers closed-end funds and

Top 10 real estate managers ranked by tax-exempt assets in hybrid debt

Firm	$ millions
Boston Co. Real Estate Counsel	1,818
Balcor Institutional Realty Advisors	1,732
Aldrich, Eastman & Waltch	1,535
F.I.A. Associates	1,206
Aetna Life & Casualty	1,091
J.P. Morgan Investment Mgmt.	742
Alex. Brown Realty Advisors	612
Latimer & Buck	597
Lomas & Nettleton Advisory	501
L.J. Melody	483
Total	10,317

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separate accounts.

It does property management for all of the properties it owns.

Investment clients include Ameritech, Connecticut, GTE and Hughes Aircraft.

Public Storage Management Inc. is a subsidiary.

Hugh Horne, president, Public Storage Development Co., is in charge of making property investments. Nori Gerardo, senior vice president, is client contact.

RREEF

650 California St., Suite 1800, San Francisco, Calif. 94108; (415) 781-3300

Tax-exempt real estate assets	$2,984 million
Equity	$2,984 million
Commingled or pooled funds	
Equity	$2,784 million
Direct, separate accounts	
Equity	$200 million
Total real estate assets	2,984 million

RREEF has all tax-exempt equity assets. As of June 30, the market value of those assets was $2.464 billion. Contributions received but not invested were $131 million; contributions committed but not received were $389 million.

Its property type mix is 40% office/commercial, 33% retail and 27% industrial.

Its property is 19% in the North Central region; 18%, Northeast; 15%, South Central; 4% Southeast; 7%, Mountain; and 37%, Pacific.

RREEF offers closed-end funds and separate accounts in completed and substantially leased high-quality, well-located and well-designed properties.

Funds still open are RREEF USA-IV, which will purchase high-quality retail, office and industrial properties for $20 million to $100 million in major metropolitan areas; RREEF West-VII, which will purchase retail, office and industrial properties for $2 million to less than $20 million in selected metropolitan areas of the West; and RREEF Apartment Fund-I, which will purchase a geographically diversified portfolio of high-quality apartment buildings in major metropolitan areas.

RREEF handles property management for 95% of the properties it owns.

Clients include IBM, AT&T, Connecticut and Illinois State Universities.

Stainslaw Maliszewski and Paul Sack, principals, are client contacts.

Scudder Realty Advisors

333 S. Hope St., 37th Floor, Los Angeles, Calif. 90071; (213) 229-0313

Tax-exempt real estate assets	$401 million
Equity	$32 million
Hybrid debt	$76 million
Mortgages	$293 million
Direct, separate accounts	
Equity	$32 million
Hybrid debt	$76 million
Mortgages	$293 million
Total real estate assets	$401 million

Scudder Realty Advisors Inc.'s the mix by property type is 50% office/commercial, 20% retail, 5% mixed use, 20% industrial and 5% multifamily. The firm expects to be a net buyer of retail, industrial and office properties.

The mix by geographic region is 5% Southeast, 10% Mountain and 85% Pacific. The firm expects to be a net buyer in the Pacific region.

The concentration during the next year will be on hybrid financing and small loan programs.

Scudder offers direct separate account investments.

Investment clients include San Diego Employees, Sacramento County Employees, Ventura County Employees and Southern California Carpenters.

The parent company is Scudder, Stevens & Clark Ltd.

Christopher B. Davis, senior vice president, is in charge of making property investments and is client contact.

Security Capital Real Estate

1290 Avenue of the Americas, New York, N.Y. 10104; (212) 408-2911

Tax-exempt real estate assets	$1,645 million
Equity	$1,045 million
Commingled or pooled funds	
Equity	$945 million
Direct, separate accounts	
Equity	$100 million
Total real estate assets	$1,300 million
Equity	$1,300 million

As of June 30, the tax-exempt equity assets of Security Capital Real Estate Corp. had a market value of $825 million. Contributions received but not invested were $120 million; contributions committed but not received were $100 million.

For tax-exempt assets, the mix by property type is 8% office/commercial; 8% retail; 2% industrial; and 82% multifamily housing.

The firm expects to be a net buyer of mostly multifamily apartments and some commercial properties.

The total property portfolio is located 1% Northeast; 26% South Central; 26% Southeast; 12% Mountain; and 35% Pacific.

The concentration during the next year will be on acquisition because $200 million of committed funds is expected from a new closed-end commingled fund.

The firm offers open- and closed-

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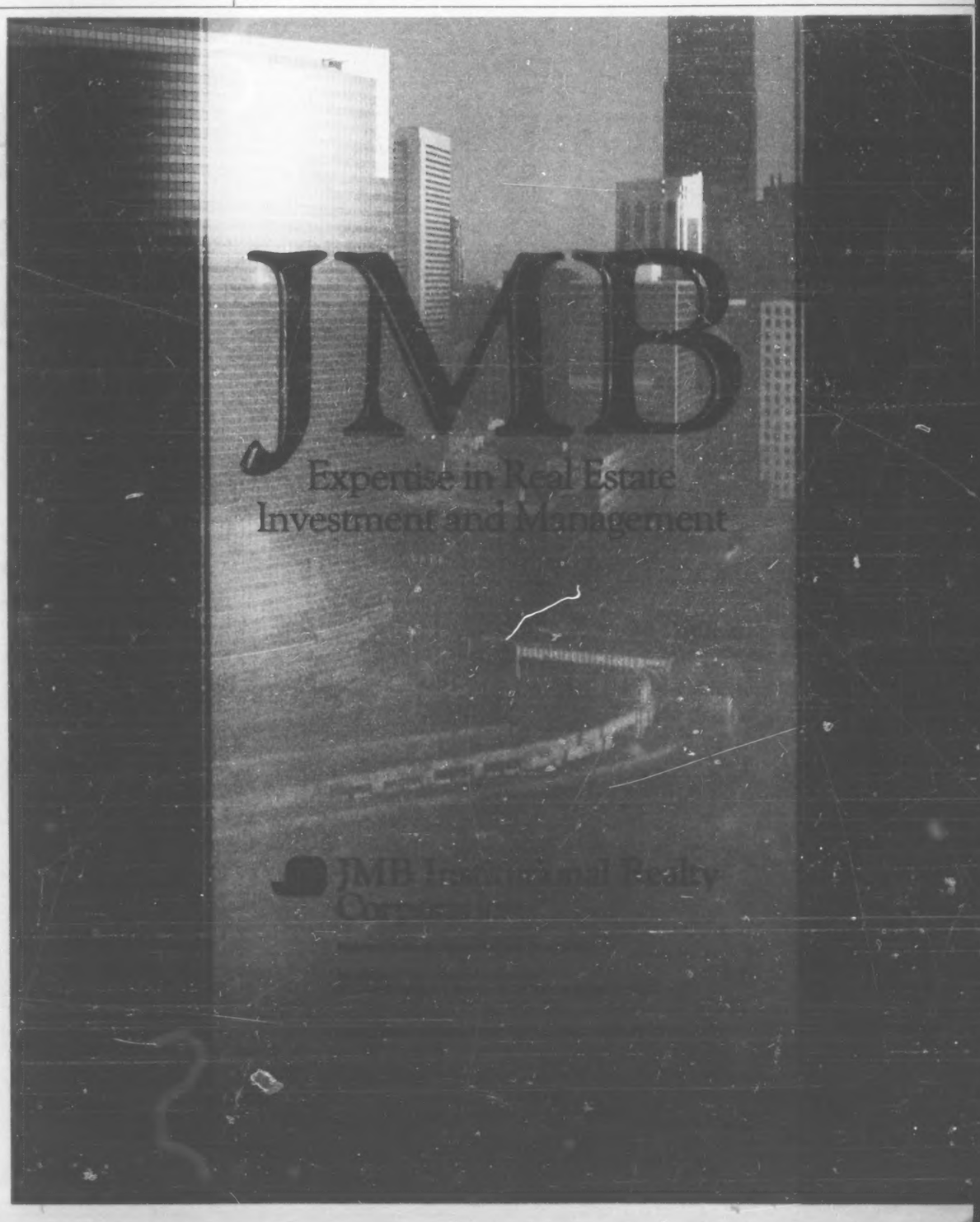

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end funds and a separate account.

The Security Capital Real Estate Fund is an open-end fund with $921 million. It purchases 100% equity interests in properties in the $2 million to $5 million range, such as apartments, retail, office and warehouses.

Security Capital Realty Partners, a closed-end fund closing in October, has $50 million in commitments. It invests in newer apartments in the $5 million to $25 million range.

The firm does property management for 92% of the property it owns.

Investment clients include State of Alaska, Ford, U S WEST and Duke Power.

The parent company is Security Capital Corp.

John Streicker, president, is in charge of making property investments. Lewis W. Kresch, first vice president, is client contact.

State Street Bank and Trust

225 Franklin St., Boston, Mass. 02110; (617) 654-3953

Tax-exempt real estate assets	$396 million
Equity	$162 million
Hybrid debt	$131 million
Cash	$103 million
Commingled or pooled funds	
Equity	$162 million
Hybrid debt	$131 million
Total real estate assets	$396 million

As of June 30, the tax-exempt equity assets of State Street Bank and Trust Co. had a market value of $162 million. The hybrid debt holdings had a market value of $131 million. Cash received or committed but not earmarked for a specific investment totaled $103 million.

The mix by property type is 31% office/commercial, 37% retail and 32% industrial.

The total property portfolio is located 21% in the North Central region; 10% Northeast; 6% South Central; 14% Southeast; 6% Mountain; and 43% Pacific.

State Street offers closed-end, commingled funds with Aldrich, Eastman & Waltch Inc. AEW-State Street Real Estate Fund V is open for subscriptions.

Clients include CBS, GTE, Honeywell and World Bank.

The parent company is State Street Boston Corp.

Robert E. Kilroy, vice president, is in charge of making property investments. Peter E. Braun, vice president, is client contact.

Personnel changes are in On the move — page 36.

TCW Realty Advisors

400 S. Hope St., Suite 600, Los Angeles, Calif. 90071; (213) 683-4200

Tax-exempt real estate assets	$1,419 million
Equity	$1,080 million
Hybrid debt	$339 million
Commingled or pooled funds	
Equity	$875 million
Hybrid debt	$233 million
Direct, separate accounts	
Equity	$205 million
Hybrid debt	$106 million
Total real estate assets	$1,419 million

As of June 30, equity assets of TCW Realty Advisors had a market value of $642 million. Contributions received but not invested were $59 million; contributions committed but not received were $379 million.

The hybrid debt holdings had a market value of $339 million.

The mix by property type is 35% office/commercial, 19% retail and 46% industrial.

The firm expects to be a buyer of industrial, shopping centers and office properties and a seller of offices.

The mix by geographic region is 2% North Central; 10% Northeast; 5% South Central; 20% Southeast; 12% Mountain; and 51% Pacific.

TCW expects to be a buyer in the Pacific, Northeast, Southeast and South Central regions and a seller in the Mountain and Pacific states.

The concentration during the next year will be on acquisition because through selective strategies, based on its in-house research, unique opportunities can be developed.

TCW offers direct separate account investment management and closed-end commingled funds.

It does property management for 100% of the properties it owns.

Investment clients include Pacific Telesis, U S WEST, McDonnell Douglas and Kodak.

TCW is a joint venture with Trust Co. of the West.

Roger C. Schultz, senior partner/director of acquisitions, is in charge of making property investments. Bruce Ludwig, senior partner, is client contact.

The Travelers

1 Tower Square, Hartford, Conn. 06183; (203) 277-0111

Tax-exempt real estate assets	$507 million
Equity	$422 million
Mortgages	$85 million
Commingled or pooled funds	
Equity	$399 million
Mortgages	$85 million
Direct, separate accounts	
Equity	$23 million
Total real estate assets	$18,809 million
Equity	$1,403 million
Mortgages	$17,406 million

As of June 30, the tax-exempt equity assets of The Travelers had a market value of $422 million; the mortgages, $85 million.

Of the total under management, $200 million was for foreign clients.

For tax-exempt assets, the mix by property type is 52.6% office/commercial; 9.4% retail; 3.8% hotel/resort; 10.6% industrial; 11.1% multifamily housing; and 12.5% timberland/agriculture.

The total property portfolio is located 16% in the North Central region; 13% Northeast; 13% South Central; 27% Southeast; 20% Mountain; and 11% Pacific.

The concentration during the next year will be on property management because it encompasses managing existing properties to maximize return as well as actively reviewing opportunities for possible sales and acquisitions.

The firm offers open and closed-end funds and separate account management.

Separate Accounts R is an open-end fund with equity, debt and balanced components. The equity portion invests in recently constructed, income-producing properties and has $356 million in assets; the debt portion invests in first and junior mortgages and has $85 million; the balanced portion invests in the equity and debt portions on a 70/30 ratio and has $233 million.

Separate Account T-II is a closed-end fund, open for contributions, that will invest in timberland properties.

Investment clients include Consolidated Edison, Pennsylvania Blue Shield and Sisters of Holy Cross.

Travelers' subsidiaries include The Prospect Co. and Travelers Mortgage Services.

Raymond Morgan, vice president, is in charge of making property investments. B. Thomas Willison, vice president, is client contact.

The Union Labor Life Insurance Co.

111 Massachusetts Ave., N.W., Washington, D.C. 20001; (202) 682-0900

Tax-exempt real estate assets	$324 million
Mortgages	$324 million
Commingled or pooled funds	
Mortgages	$324 million
Total real estate assets	$324 million

As of June 30, the market value of the mortgages held by Union Labor Life Insurance Co. was $110 million. Contributions received but not invested were $214 million.

The mix by property type is 63% office/commercial; 12% retail; 3% hotel/resort; 18% industrial; 3% multifamily; and 1% single-family.

The mix by geographic region is 5% South, Southeast and Southwest; 18% Midwest; 18% West; 51% Northeast; and 8% Alaska.

The concentration during the next year will be on long-term first mortgages.

Union Labor Life offers open-end funds. Mortgage Separate Account J — "J for Jobs" — is an open-ended account with a market value of $110 million and contributions received but not yet invested of $214 million. It invests in first mortgages made pursuant to forward commitments negotiated and issued at market rates on to-be-built residential and income-producing properties. Projects must be constructed or rehabilitated by union labor.

Edgerton R. Saathoff, vice president, and Leland A. Harrs, second vice president, are in charge of making property investments. Robert C. Cassin, director of group pension, is client contact.

Wells Fargo Realty Advisors

330 Washington St., Marina del Rey, Calif. 90292; (213) 822-2032

Tax-exempt real estate assets	$866 million
Equity	$222 million
Hybrid debt	$297 million
Mortgages	$347 million
Commingled or pooled funds	
Equity	$222 million
Hybrid debt	$119 million
Mortgages	$4 million
Direct, separate accounts	
Hybrid debt	$178 million
Mortgages	$343 million
Total real estate assets	$3,263 million
Equity	$325 million
Hybrid debt	$297 million
Mortgages	$2,641 million

As of June 30, the tax-exempt equity assets of Wells Fargo Realty Advisors had a market value of $169 million. Contributions received but not invested were $53 million.

The hybrid debt holdings had a market value of $119 million. Contributions committed but not received were $178 million. The market value of the mortgages was $347 million.

For tax-exempt assets, the mix by property type is 5.2% office/commercial; 50% retail; 36.9% industrial; and 7.9% residential.

The firm expects to be a net buyer of retail, industrial, apartment and office properties.

The total property portfolio is located 10% in the North Central region; 20% South Central; 10% Southeast; 15% Mountain; and 45% Pacific.

Wells Fargo expects to be a net buyer in the Pacific, Northeast and North Central regions and a net seller in the South Central region.

The concentration during the next year will be on development of joint ventures, because the firm believes it is an opportunistic time to selectively develop properties with major developers.

Wells Fargo offers an open-end fund, separate accounts and a REIT.

The Wells Fargo Realty Advisors fund is an open-end fund with assets of $166 million. It invests in development property and opportunities where existing real estate can be upgraded, expanded or renovated. Transactions are typically joint ventures or participating mortgages.

It does property management for 15% of the properties it owns.

Investment clients include Ohio Public Employees, General Motors, Avon Products and Frank Russell Trust.

The parent company is Wells Fargo & Co. Subsidiaries are Wells Fargo Realty Finance and Wells Fargo Asset Management Co.

Doug Hayek, director of acquisitions, is in charge of making property investments. J. Michael Johnson, director of marketing, is client contact.

Assets up 27%

Continued from page 19

included in the industrial total, however, the percentage of tax-exempt assets in industrial properties actually would be higher this year, probably by about two percentage points.)

At the same time the managers are seeking to diversify their clients' real estate holdings, they are grappling with trying to add value to their existing portfolios. To do so, they are working the properties they already own for their clients — often through more intensive property management and/or rehabilitation or renovation.

Indeed, said one consultant, the ability of the real estate investment manager to manage the property has become a key acquisition criteria.

Of the managers surveyed, 57 said acquisition is the primary area they will concentrate on during the coming year and 38, property management.

PROPERTY also found changes in rankings of the 10 largest managers in all categories surveyed.

Among the top 10 ranked by combined tax-exempt assets in equity real estate, hybrid debt and mortgages, Equitable Real Estate Investment Management Inc., Atlanta, jumped to the top spot from third last year. Equitable had about $6.9 billion in tax-exempt real estate assets under management as of June 30, an increase of about 25% from the $5.5 billion under management a year earlier.

George R. Puskar, president of Equitable Real Estate, said the most important reason for his firm's gain is "consistent long-term performance of our pension vehicles."

"Since becoming a separate company three years ago, it has been Equitable Real Estate's top priority — and we have made the organizational commitments — to expand our service to pension clients, and to diversify our products in closed-end and single clients accounts and vehicles tailored to public funds," Mr. Puskar said.

Equitable traded places with Aetna, which, because it incorrectly included its general account assets in last year's statistics, reported a drop of about $12.2 billion in tax-exempt assets.

Prudential Realty Group, Newark, N.J., retained its second-place ranking.

Boston Co. Real Estate Council Co., Boston, recorded a substantial gain; tax-exempt assets under management increased 23.8%, vaulting the company to 10th from 13th a year earlier.

RREEF, San Francisco, dropped to sixth place from fourth, and Balcor Institutional Realty Advisors Inc., dropped to 11th from its anchor spot on last year's top 10.

Among the top 10 ranked by tax-exempt assets in equity real estate, Equitable and Prudential traded places. Top-ranked Equitable recorded a 21.9% gain in equity real estate, to $6.365 billion as of June 30 from $5.222 billion a year ago. There were no new entries in the top 10 equity real estate managers; only their order was reshuffled.

In the top 10 by mortgage assets under management, Aetna dropped off the listing, although it previously had been ranked first. A newcomer — McMorgan & Co., San Francisco — took the No. 1 spot, reporting $1 billion in mortgages under management as of June 30 for tax-exempt clients. Another first-timer, Latimer & Buck Inc., Philadelphia, was ranked second, with $646 million. Also new to the rankings of the 10 largest mortgage managers were Equitable; Eastdil Realty Inc., New York; and Fayez Sarofim & Co., Houston.

In hybrid debt (debt financing with some of the attributes of an equity investment, such as a participating mortgages), Boston Co. moved to first place from fourth, with more than $1.8 billion in hybrid debt as of June 30, vs. almost $1.3 billion a year earlier. Balcor dropped a spot to second, and F.I.A. Associates, Sacramento, Calif., moved down to fourth place from second.

Latimer & Buck and Lomas & Nettleton Advisory Group, Dallas, were ranked in the top 10 in hybrid debt for the first time; they replaced Kennedy Associates Real Estate Council Inc., Seattle, and TCW Realty Advisors, Los Angeles, both of which dropped off the top 10.

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Survey determines ownership

Continued from page 1

For retail properties, the survey showed tax-exempt institutions owned, on an equity basis, 613,703 square feet in Chicago and 171,464 square feet in Philadelphia, but nothing in the downtowns areas of New York, Los Angeles or Houston.

Only Houston had tax-exempt institutional investments retail mortgages, with 133,409 square feet.

The retail properties identified in the survey had a total appraised market value of more than $161.2 million.

Jonathan D. Miller, a vice president with Equitable Real Estate Management Inc., New York, said the opportunities for institutional retail investments are outside the central business districts.

"Most of our retail investments are in big, regional shopping centers that are located in suburban areas," said Mr. Miller.

He also said institutions might own retail space in mixed-use projects. In this survey, respondents were asked to categorize properties by their primary use.

The survey also found little tax-exempt institutional ownership of downtown industrial property on an equity basis — 50,000 square feet in Los Angeles and 14,000 square feet in Chicago, but none in New York, Los Angeles or Philadelphia. Mortgages were held on 817,525 square feet of industrial space in downtown Houston and 229,000 square feet in Chicago.

The total appraised market value of the industrial properties identified in the survey was $51.9 million.

"In a lot of major cities, the view is industrial will be driven out (of the downtown area) by the high costs," said Van J. Stults, a vice president of LaSalle Advisors Ltd., Chicago.

Only 27 institutions (or 10.8% of the 249 respondents) said they own office, retail or industrial property in the five CBDs, showing they generally avoid investments in the central business districts of major metropolitan areas.

And when they do buy properties there, they almost always do so through investment management firms. Only four pension funds reported they made the property decisions themselves.

Real estate experts said tax-exempt institutions generally avoid investments in the downtowns of major metropolitan areas because of lofty price tags.

Peter A. Peyser, senior vice president of Landauer Advisors Inc., New York, said many tax-exempt funds aren't large enough, or don't have enough assets committed to real estate, to consider such investments.

Nathan Schloss, senior vice president and corporate economist of Real Estate Research Corp., Chicago, agreed. "You're talking about buildings that are high priced and in good locations," he said, adding part of the reason prices are high is many downtown properties have the characteristics institutional investors emphasize.

Many tax-exempt funds funnel their downtown real estate investments through commingled funds run by an investment management firm. By pooling their assets, these funds can take significant position in central business district properties and achieve the desired diversification. Even then, some commingled funds lack sufficient dollars to seriously consider the downtown market, Mr. Peyser said.

"We're talking about (the need for) diversification by both property type and geography," he said.

"You can't have geographical diversification and distribution in a $150 million fund and be talking about downtown areas because the property costs are too high."

For those that have the money, however, the central business districts of major cities offer some strong advantages.

"If you look at the major cities, one of the things you'll find is the demand for space in a major urban area is much more significant than in a smaller urban area or a suburban area," said Michael Herzberg, senior vice president of acquisitions for JMB Realty Corp., Chicago. He said the high demand places a premium on space available to be leased.

JMB, through JMB Institutional Realty Corp., manages 695,000 square feet of offices in downtown New York and 318,000 square feet of offices in downtown Los Angeles for tax-exempt clients. The market value of those properties represents about 7% of JMB's $1.7 billion tax-exempt institutional portfolio.

The attractiveness of the demand for space in major downtown areas also is enhanced by the likelihood these cities will not suddenly become overbuilt.

"What you look for is growth. No one likes Houston anymore because the growth ended," said Paul Sack, a principal of The RREEF Funds, San Francisco.

He said institutional investors want "a combination of growth in demand and some restriction on future supply." He said the lack of undeveloped land in CBDs sometimes prevents overcapacity. ■

Square footage owned by tax-exempt institutions

City	Equity basis: Office	Equity basis: Retail	Equity basis: Industrial	Mortgage basis: Office	Mortgage basis: Retail	Mortgage basis: Industrial	Total appraised market value: $ millions
New York	10,519,417	0	0	1,851,128	0	0	2,280.3
Los Angeles	2,856,455	0	50,000	1,204,905	0	0	556.1
Chicago	7,633,009	613,703	14,000	2,450,510	0	229,000	1,284.4
Houston	1,606,664	0	0	560,000	133,409	817,525	227.8
Philadelphia	4,759,899	171,464	0	265,000	0	0	739.6

Source: PROPERTY survey

Properties owned by institutional investors, through their real estate investment advisers, in the five downtowns surveyed include those shown above: 800 Wilshire Blvd., Los Angeles, Richard Ellis; LaSalle Bank Building, Chicago, LaSalle Advisors; 2 Wall St., New York, RREEF; 3 Penn Center, Philadelphia, Richard Ellis; 33 N. Dearborn, Chicago, Richard Ellis; 120 Broadway, New York, J.P. Morgan Investment; 1 Financial Place, Chicago, Lomas & Nettleton; 30 Wall St., New York, Richard Ellis.

L.A. shedding 'non-city' image

By Steve Hemmerick

Los Angeles, the trading hub of the Pacific Rim, is developing a major downtown area, a significant portion of which Japanese investors already own.

In the past, Los Angeles has been described as a non-city or a giant suburb, even though its 3.1 million population is second only to New York.

Sol Rabin, a partner in TCW Realty, Los Angeles, said almost 20% of the about 120 million square feet of office space in the city is in the downtown area. In most cities, he said, 30% to 50% of total office space is downtown.

But real estate experts believe Los Angeles' downtown area will grow significantly in the coming years.

According to Mr. Rabin, the Japanese own about one-third of the office space in downtown Los Angeles and, other experts agree, the Japanese presence as owners and tenants will grow.

In September 1986, the Japanese firm Shuwa Investments Corp. made a major purchase, paying $620 million for the twin towers and the below-ground shopping center of the Arco Plaza.

Because of changes in banking laws, many Eastern banks are expected to establish a presence in Los Angeles in the next few years, creating a demand for space.

Another factor helping to build the downtown area is increasing anger among city residents at commercial construction in West Los Angeles and the San Fernando Valley.

As politicians block growth in suburban areas, developers will focus increasingly on development in the downtown area, say experts.

Politicians in Los Angeles aren't anti-growth, said Gerald Parkes, a Los Angeles-based director with Richard Ellis Inc., New York. But they are "much more sensitive as to where the growth occurs. I think the focus (for development) is now and will continue to be on downtown Los Angeles. I think we will see more corporations see downtown Los Angeles as a viable location, not just the banks and various service companies."

Also, Los Angeles is the trading hub of the western Pacific region. It receives substantial imports from Japan, South Korea, Taiwan and Hong Kong and is used as a funnel for exports to Japan, South Korea, and Australia.

As downtown Los Angeles develops as the center of the city, say the experts, it will have one of the strongest metropolitan economies in the world behind it.

According to an economic report for Security Pacific Bank, Los Angeles, metropolitan Los Angeles has the second largest concentration of population, employment, business, industry and finance in the United States, exceeded only by the New York area.

Downtown Los Angeles already has some tall buildings, the tallest being the 62-story, 1.1-million-square-foot First Interstate Bank Tower. By 1989, downtown Los Angeles will have the tallest building west of Chicago — the 73-story, 1.5-million square-foot Library Tower.

"That building is going to be the biggie. It is going to put the downtown on the map," said Clay Hammerstein, a real estate broker in the Los Angeles office of Julien J. Studley Inc., a real estate services firm.

Including the Library Tower, downtown Los Angeles will be adding another 10 million to 13 million square feet of office space over the next seven years or so, said Mr. Rabin.

"Between 1988 and 1993 there is going to be an influx of 13 million square feet of office space" and 18 new buildings, said Mr. Hammerstein.

Growth in the downtown area will be helped by mass transit. Los Angeles officials expect to open a heavy rail system that will funnel traffic into the downtown area in the 1990s, and a light rail system is planned between the downtown area and Long Beach.

In addition to office construction in the downtown area, more residential and hotel construction is planned.

Retail space was added as part of the first phase of the Citicorp Plaza in downtown Los Angeles.

As new buildings are completed, downtown Los Angeles will be a renters' market, but for the investor, downtown Los Angeles may be too important a market to avoid. ■

Sol Rabin of TCW Realty notes Los Angeles' downtown holds only 20% of the area's office space.

Payden & Rygel index of short maturity assets*
(for month ended August 31)

	August 1987	Quarter ended 6/30/87	Year to date	12 months ended 8/31/87	Yield level monthly change[a]
90-day	0.4914	1.4288	3.8412	5.6409	18
U.S. Treasury bill	0.5265	1.5928	4.2953	6.1760	23
Domestic C.D.	0.5344	1.6447	4.3599	6.3161	25
Eurodollar C.D.					
180-day	0.4733	1.4921	3.8243	5.5532	15
U.S. Treasury bill	0.4510	1.3945	3.9117	5.6185	30
Domestic C.D.	0.4618	1.4921	3.9672	5.7528	30
Eurodollar C.D.					
1-year	0.2834	1.0982	3.1624	4.7494	34
U.S. Treasury note					
2-year	0.0536	0.1359	1.7903	3.1616	34
U.S. Treasury note					

*Figures are unannualized total returns. Year-to-date and 12-month figures linked monthly. Ninety- and 180-day Treasury bill yield level changes on discount basis.
[a]Basis points.
Source: Payden & Rygel, Los Angeles

Banks favored for underwriting paper

GREENWICH, Conn. — An increasing number of institutional fixed-income investors favor allowing commercial banks to act as dealers for corporate commercial paper issues, according to a new survey.

The survey by Greenwich Associates, Greenwich, Conn., also ranked 21 instruments used by corporations in their money market portfolios, finding the most popular are time deposits, domestic commercial paper and repurchase agreements.

Greenwich found demand for three major types of foreign currency-denominated commercial paper — sterling, French franc and European currency unit — is expected to about double in the next year among European money market investors.

In interviews with 2,142 major domestic institutional buyers, the report shows a majority support bank entry into commercial paper underwriting.

The survey found 38% of money market investors and 31% of corporate bond buyers strongly agree on allowing banks as dealers, and 50% of money market investors and 38% of corporate bond buyers agree somewhat.

The support by those surveyed has been growing since 1985, according to previous Greenwich surveys.

Over the same time, the study found a decreasing number oppose banks as dealers. In the latest survey, only 3% of money market investors and 5% of corporate bond buyers disagree strongly in allowing bank entry, while 6% of money market investors and 14% of corporate bond buyers disagree somewhat.

The interviews for the recently released survey were conducted in February and March.

Among other findings, the survey ranked the use of instruments in money market portfolios of corporations, showing that, including ties, 79% use time deposits; 71% commercial paper of domestic issuers; 60% repurchase agreements; 54% direct-issue commercial paper and Eurodollar certificates of deposit; 50% bankers' acceptances, money-center bank CDs, commercial paper of foreign issuers and auction-rate preferred stock; 42% letter of credit-supported commercial paper; 37% regional bank CDs; 31% Yankee CDs; 21% whole loans or loan participations; 17% floating-rate CDs; 13% term CDs and Eurocommercial paper; 12% non-dollar instruments; 6% continuously offered medium-term notes; and 4% mortgage- or other asset-backed securities and stripped Treasury securities.

The survey didn't include Treasury bills, nor did it ask the aggregate composition of portfolios.

In a separate survey of 95 European money market investors, Greenwich found:

- 34% of the European investors plan to use sterling commercial paper in the next year, up from the current 18%;
- 16% plan to use French franc commercial paper, up from 8%; and
- 30% plan to use commercial paper denominated in ECUs, or European currency units, up from 14%. ■

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A custom interest rate match strikes where it hurts.

Consultants list is being compiled

A list of investment management consultants who serve the small and medium-size fund market is being compiled in Consultant Compendium II.

The original Consultant Compendium dealt with the largest investment consultants and was published by F. Jerome Grimm and Charles C. Thomas. Aiding them is James P. Owen, managing director of NWQ Investment Management Co., Los Angeles, and executive vice president of Investment Management Consultant Association. IMCA members should call Messrs. Grimm or Thomas at (617) 235-3151; Mr. Owen at (303) 321-7955. ■

Pressure . . .

Continued from page 3

and shareholder rights groups praised the survey for going a long way toward demystifying the proxy process. But they were evenly divided on whether there was more pressure than was cited in the responses.

A few of the players interviewed by *Pensions & Investment Age* doubted many managers or executives would admit to experiencing pressure and thus they felt the pressure may be more intense and frequent than the survey reported. Others said the results were on target, and the existence of pressure had been blown out of proportion during the 1987 proxy season.

Some said the results were skewed because the question to sponsors asked specifically about financial pressure, while the question managers and trustees were asked used only the undefined word pressure. They also noted the survey was done before the 1987 season heated up.

"At one point, it (the existence of pressure) was almost like folklore. This is the first attempt to measure it," said Hazel Witte, senior technical associate at the FEI's Washington office, who helped draft the questions.

"For a first effort, the survey is pretty good. It adds a little depth to the discussion about the proxy process," Ms. Witte said.

Don Carter, president of The Carter Organization, a New York proxy solicitation firm, and Jamie Heard, deputy director of the Investor Responsibility Research Center, Washington, both said they have little doubt there is more pressure than was reported.

"There's a built-in bias that they don't want to feel like there's pressure and that they aren't doing their fiduciary duty," he said.

Mr. Heard, whose organization has been closely tracking proxy voting issues, said if anything, the EBRI survey numbers underrate the pressure. "That's been my experience. People aren't going to put it down on paper," he said.

The survey, which is the most comprehensive examination of the voting practices of private pension plans that has been done, offers new information on whether pension funds vote their proxies and who votes; whether there are written guidelines for voting, and whether pressures are experienced according to particular interests.

The survey findings, however, do not provide clear policy guidelines on whether plan executives under current practices meet their fiduciary responsibilities under the Employee Retirement Income Security Act or whether external pressure on plan executives or investment managers affect their proxy votes.

EBRI raised several public policy questions: Should sponsors be required to vote all their shares either directly or indirectly? Are some sponsors small enough to vote with their feet, i.e. sell the stock rather than vote against management? Does direct or indirect pressure affect the votes of internally or externally voted ERISA shares? And, if so, is new legislation needed to curb abuses? Finally, is legislation needed on anti-takeover proposals, or will the market work effectively without legislation?

When EBRI, a public policy research group, announced earlier this year it would conduct the survey, it was blessed by the Department of Labor and welcomed by chief executives, corporate and public pension fund executives, investment managers, master trustees and corporate governance and shareholder rights groups. The survey, conducted in late February and March, includes data on 334 plan sponsors, 134 investment managers and 25 master trustees.

Pension fund voting practices grabbed headlines during the 1987 proxy season, which was dominated by the anti-takeover debate. It became clear that corporate executives, investment managers and policy-makers knew little about those practices. Questions were raised about whether private pension funds vote their proxies, whether they support management in anti-takeover votes and whether they are subject to pressures to vote with management.

A tug of war over pension fund proxy votes seemed to heat up in April when a letter-writing campaign was launched by some chief executives asking their counterparts at other corporations to use their influence with pension fund managers (*Pensions & Investment Age*, April 6).

Policy-makers wondered whether proxy voting activities were conducted within the constraints set by ERISA's fiduciary requirements. The complexity and effectiveness of voting also was challenged.

All of these concerns spurred a wide-ranging discussion and examination of pension plan voting practices.

While the question of pressure was not the only issue, interest was especially keen because of the sensitivity.

The EBRI study found only one quarter of pension plan executives voting themselves reported financial pressure to influence their proxy votes. Financial pressure to capture votes was more likely on plan executives with large equity investments of more than $100 million. But fully 75% of plan executives reported they never had experienced financial pressure.

The EBRI survey also found:

- Nearly 64% of plan executives reported voting some of their proxies. Plans with equity investments of $500 million or more, representing 82.6% of equity held by pension funds surveyed, almost always voted their proxies.
- Smaller plans were much less likely to vote proxies themselves. Less than 40% of executives whose plans had equity assets of less than $25 million report any voting. But some plans — 31% — did not know whether they had voted or not. These plans tended to have lower assets. More than one-half of plans with assets of less than $10 million did not know whether they had voted their proxies. A large majority — 90% — of those who did not know whether they had voted had all of their assets managed externally.
- Plan sponsors are more likely to have written policies for proxies voted by the fund than for those voted by an investment manager or master trustee. When proxies are voted internally, 43% of executives are guided by a written policy. When proxies are voted externally, 21% of plan sponsors provided written guidance on voting. Among plans without a formal written voting policy, 88% always gave external managers full voting discretion, and rarely monitored the managers' votes. More than 60% of external investment managers have a formal written policy to guide them on proxy issues.
- The EBRI survey found more than 51% of plan sponsors with written policies for internal voting on specific proxy issues, such as anti-takeover devices, and 61% of external managers had guidelines on such issues. Nearly 42% of plan sponsors and more than 60% of external managers had written policies for recapitalization strategies, which include anti-greenmail provisions or preferred stock transactions.

The EBRI survey concluded "anti-takeover activities are a serious concern to those institutional investors who specifically include written guidance on voting proxies for specific issues. Furthermore, a sizable minority of plan sponsors also mention that they have been pressured to vote. These flags suggest that continued public policy interest in these issues is not unwarranted." ■

Direct or indirect pressure on investment managers

Frequency of pressure	Investment managers
Always	0.0%
Frequently	3.3
Sometimes	24.8
Rarely	37.2
Never	33.9
Don't know	0.8

Source: Employee Benefit Research Institute

Global bond use . . .

Continued from page 3

Ehrlich, director of pension fund trusts.

Earlier this month, the New York-based fund appointed BA Investment Management International Ltd., London, to run a global bond account. The fund also moved 4% to 6% in non-U.S. bonds from a domestic bond portfolio managed by J.P. Morgan Investment Management Inc., London, to a new international bond account, also run by Morgan. Proceeds from maturing guaranteed investment contracts also were used to fund both accounts, and additional GIC assets will bring the accounts up to target.

Other funds that invested in foreign bonds recently include the $3.1 billion Kansas Public Employees' Retirement System, Topeka, and the $3.4 billion Illinois Municipal Retirement Fund, Chicago, both of which appointed Julius Baer Investment Management Inc., New York, to run $20 million and $90 million, respectively (*P&I Age*, Aug. 24); and the $500 million Cincinnati Bell Inc. pension fund, which hired Warburg Investment Management International, London, to run $50 million (*P&I Age*, June 29).

But not all funds believe international bonds are the place to be. In May, American Information Technologies Corp., Chicago, reduced its international bond holdings to 1.5% of its $11.5 billion fund from 5%. The money was placed in cash, real estate and small-capitalization stocks.

James A. Kujaca, director, said the shift was made because fund executives believe international interest rates are likely to rise in the near term and the dollar is likely to be stable at 130 to 150 against the yen. The fund also took some profits. Noting the move was a tactical one, Mr. Kujaca said the fund may return to the area if the outlook changes.

But armed with neatly packaged versions of their "Case for International Bonds" reports, managers are raking in new foreign fixed-income business.

In terms of commitments from new or existing accounts in the first half of 1987, BA was on top with $280 million. Following were Fiduciary Trust Co. International, New York, with $268 million; N.M. Rothschild International Asset Management Ltd., New York, with $250 million; and J.P. Morgan with $200 million.

The firms manage $1.3 billion, $466 million, $800 million and $900 million, respectively, in foreign fixed income for U.S. tax-exempt clients.

First Chicago Investment Advisors added $186 million; Julius Baer added $110 million; Baring International Investment, London, added $100 million; and PCM International, Newark, N.J., added $77.5 million. The firms manage $1.3 billion, $375 million, $400 million and $380 million, respectively, in foreign bonds for U.S. tax-exempt clients.

Not included in the totals were large portions of foreign fixed income managed for foreign-based insurance companies established by U.S. corporations.

Bruce M. Dresner is director of investments of the $600 million Dartmouth College endowment, Hanover, N.H., which has invested in foreign bonds through Warburg for several years. He believes plan executives should determine whether they want international fixed income for high income or a total return; executives also should determine the degree of discretion to give managers for achieving objectives.

For instance, coupons vary widely among markets with Japan and West Germany at the low end and the United Kingdom and Australia at the upper range, said Mr. Dresner.

"Whether to go non-U.S. or global is another question. For many, investing internationally is a relatively new idea . . . You should look at diversification and high returns relative to risk," he said.

Dartmouth chose a non-U.S. strategy because the program more easily fit into the asset mix, Mr. Dresner said.

Executives also must decide between dollar- and non-dollar-denominated bonds. Dollar-denominated accounts include U.S. Treasury securities and Eurodollar bonds; non-dollar securities include other bonds.

The ITT fund invested in foreign bonds "because Salomon Brothers shows that more than 50% of fixed income in global markets is outside the U.S. so it would make sense to have a certain portion outside the U.S.," said Mr. Ehrlich. He also said an inverse correlation between U.S. and non-U.S. securities allows for incremental returns at a lower risk profile.

Cincinnati Bell invested in foreign fixed income without ever having invested in foreign equities.

"A study we've done shows it adds diversification away from domestic bonds and the portfolio in general and adds some return. "We wanted to be somewhat on the cutting edge by getting into bonds . . . rather than on the tail end of (investing in) international equities. I believe it's a coming trend. A lot of the play is already out of equities," said Len Haussler, pension fund manager.

"We don't believe in currency or interest rate forecasting. We believe in international bonds as a diversifier," Mr. Haussler said. "We were not trying to catch the dollar falling more, but that did make it more enticing for us. The dollar could just as easily turn around in the next year, week or day."

The $1.089 billion Young Men's Christian Association retirement fund, New York, has been internally managing global fixed income for 10 years. "It has helped to protect the purchasing power of our fund. So, if the dollar is devalued, our participants are protected against a purchasing power loss," said Harold Smith, president.

About 26%, or $280 million, of the YMCA fund's total assets are in foreign assets of which about $178 million, or 16%, is foreign bonds. Foreign equities total $102 million.

While most fund executives interviewed said they allow foreign currency hedging, the YMCA fund avoids it, relying entirely on the fund's top-down approach, he said. "We start with basic assumptions about markets and that's worked very well for us," Mr. Smith said.

From a long-term standpoint, the correlation between domestic and international fixed income has been historically lower than the equivalent correlation between U.S. and international stocks, said Adrian Lee, J.P. Morgan's vice president responsible for product development and business development.

Most of Morgan's fixed-income clients have gone global, unlike on the foreign equities side in which the vast majority of commitments are non-United States. That's mainly because "clients don't want to make U.S./non-U.S. allocations decisions," Mr. Lee said. In addition, clients believe it might be easier to compare fixed-income markets than equity markets.

Interlake . . .

Continued from page 2

clined to specify how the reversion proceeds would be used, although the company treasury's domestic cash position apparently isn't sufficient to finance the repurchase without the excess pension assets.

Interlake expects to complete the recapture of an estimated $97.5 million, before taxes, in excess pension assets sometime later this year, according to several company executives. In addition to any corporate income tax, the reversion apparently will be subject to a new 10% excise tax. Corporate executives declined to comment on the issue.

They also declined to give further details on the reversion or the insured annuities the company would have to buy to cover the accrued benefits as required under pension rules.

The board of directors approved in August a program to buy back 915,000, or 7.8%, of the company's 11 million outstanding shares. The repurchase may begin this month and will take place in the open market and in negotiated trades with large shareholders, a spokesman said.

At a recent price of $49 a share, the program would cost less than $50 million.

Depending on when the company receives the proceeds from the reversion and the timing of the stock buyback program, another treasury executive said the company might have to borrow for two or three months.

He suggested borrowing would be done in the commercial paper markets.

In addition to its expected reversion, Interlake holds about $25 million domestically and $40 million internationally in cash equivalents in its corporate treasury, according to the treasury executive. ■